Dräger

Dräger Group
Q3/2006 report

Q3

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Business performance of the Dräger Group in the third quarter of 2006

Increase in results on target

EBIT increased 12.4 percent, up from EUR 66.7 million (before non-recurring expenses) in the prior-year period to EUR 75.0 million. The gross margin dropped slightly to 48.6 percent (9M/2005: 49.3 percent), which was chiefly due to the completion of projects. Functional costs developed as planned, rising proportionately less than revenues. The research and development costs included in this figure come to EUR 85.9 million or 7.0 percent of revenues. The interest result was influenced by increased financial debt and interest-like expenses from project financing.

The tax expense decreased against the prior-year period due to the change in legal form of Dräger Medical. Overall, the first three quarters of the year saw net profit climb by 29.4 percent to EUR 30.4 million.

Order intake and revenues on course

At the end of the third quarter of 2006, both order intake and revenues were substantially higher. Order intake rose by 12.7 percent to EUR 1,365.6 million (9M/2005: EUR 1,211.5 million). This is more than three quarters of the revenues budgeted for the year. The two subgroups Dräger Medical and Dräger Safety contributed equally to the Group's strong performance. Consolidated revenues climbed by 9.5 percent to EUR 1,219.5 million (9M/2005: EUR 1,114.2 million); a further improvement in the spread of revenues over the four quarters may therefore be expected. A number of projects contributed to the growth in order intake and revenues. Changes in exchange rates only had a marginal effect on the rise in order intake and revenues (< + 0.5 percent). Growth was primarily generated in Europe excluding Germany (revenues up 11.7 percent to EUR 489.7 million) and the Americas (revenues up 22.4 percent to EUR 275.0 million). Despite conditions remaining difficult, order intake increased in Germany, with our home market developing particularly well for Dräger Safety.

Net assets and financial position

The Dräger Group's equity dropped slightly by EUR 4.6 million to EUR 498.2 million, which translates into an equity ratio of 31.7 percent (December 31, 2005: 32.7 percent). The change in equity is primarily attributable to net profit as well as to the payment of dividends and the share in net profit of minority shareholders for the prior year.

The EUR 11.3 million increase in investments is mainly (EUR 9.3 million) due to ongoing construction work on the new Dräger Medical building.

In the first nine months of the year, the balance sheet total of the Dräger Group increased by EUR 36.7 million to EUR 1,572.9 million due to the rise in inventories and other current financial assets coupled with a decrease in trade receivables. On the liabilities side, trade payables decreased in particular. With a note loan maturing in the first quarter of 2007, non-current financial liabilities were reclassified to current financial liabilities repayable within one year. The increase in the balance sheet total continued to be financed by raising current debt. However, net financial debt including participation capital was still largely non-current in the first three quarters of 2006.

Business performance of the Dräger Group

		Q3 2006	Q3 2005	9M 2006	9M 2005	9M Change in %
Total order intake	**€ million**	**434.1**	**404.7**	**1,365.6**	**1,211.5**	**+12.7**
Germany	€ million	90.0	89.8	281.2	271.0	+3.8
Rest of Europe	€ million	188.5	163.4	567.5	484.6	+17.1
Americas	€ million	86.7	81.4	298.0	246.4	+20.9
Asia/Pacific	€ million	41.3	47.2	139.9	144.0	–2.8
Other	€ million	27.6	22.9	79.0	65.5	+20.6
Total revenues	**€ million**	**399.9**	**374.3**	**1,219.5**	**1,114.2**	**+9.5**
Germany	€ million	84.5	85.8	251.0	250.7	+0.1
Rest of Europe	€ million	156.2	142.8	489.7	438.6	+11.7
Americas	€ million	98.1	76.2	275.0	224.6	+22.4
Asia/Pacific	€ million	39.2	45.9	130.4	136.2	–4.3
Other	€ million	21.9	23.6	73.4	64.1	+14.5
EBITDA [1]	**€ million**	**33.8**	**31.2**	**111.5**	**101.4**	**+10.0**
Depreciation/amortization	€ million	11.6	12.1	36.5	34.7	+5.2
EBIT [2] **before non-recurring expenses**	**€ million**	**22.2**	**19.1**	**75.0**	**66.7**	**+12.4**
Non-recurring expenses	€ million	0.0	1.2	0.0	1.2	–100.0
EBIT [2]	**€ million**	**22.2**	**17.9**	**75.0**	**65.5**	**+14.5**
Net profit	**€ million**	**8.8**	**5.6**	**30.4**	**23.5**	**+29.4**
Cash flow from operating activities	**€ million**	**25.4**	**22.7**	**(2.0)**	**2.1**	**n.a.**
Net financial debt	**€ million**	**313.3**	**263.5**	**313.3**	**263.5**	**+18.9**
Investments	**€ million**	**17.1**	**11.0**	**48.4**	**37.1**	**+30.5**
Capital employed [3]	**€ million**	**937.1**	**849.5**	**937.1**	**849.5**	**+10.3**
Net working capital [4]	**€ million**	**555.8**	**471.6**	**555.8**	**471.6**	**+17.9**
EBIT before non-recurring expenses/ revenues	**%**	**5.6**	**5.1**	**6.2**	**6.0**	
EBIT before non-recurring expenses/ capital employed	**%**	**2.4**	**2.2**	**8.0**	**7.9**	
Gearing [5]	**Factor**	**0.6**	**0.6**	**0.6**	**0.6**	
Headcount as of September 30						
Germany		4,420	4,332	4,420	4,332	+2.0
Abroad		5,477	5,313	5,477	5,313	+3.1
Total headcount		**9,897**	**9,645**	**9,897**	**9,645**	**+2.6**

[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, 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 Dräger Medical

- Double-digit growth in order intake and revenues in the first nine months
- Business continues to grow much faster than the market

Solid growth after nine months

Dräger Medical closed the first nine months of 2006 with EBIT (before non-recurring expenses) of EUR 53.5 million. Compared to the prior year, this corresponds to an increase of 8.7 percent (9M/2005: EUR 49.2 million). As there are no longer any non-recurring expenses related to M&A to recognize in 2006, EBIT for the first nine months is 11.5 percent higher year on year. At 6.4 percent, the EBIT margin was slightly lower than in the same prior-year period (9M/2005: 6.6 percent). Order intake increased by 12.1 percent from EUR 821.4 million in 2005 to EUR 920.4 million, while revenues climbed 11.1 percent to EUR 830.1 million (9M/2005: EUR 747.4 million). Changes in exchange rates only had a marginal effect on the rise in order intake and revenues, contributing around 0.2 percent in each case.

Stable third quarter

The figures for the third quarter break down as follows: EBIT (before non-recurring expenses) climbed 2.0 percent from EUR 15.1 million in the prior-year period to EUR 15.4 million. At EUR 280.5 million, order intake was up 1.7 percent on the prior-year figure of EUR 275.9 million. Revenues rose to EUR 270.8 million, up 6.1 percent on the third quarter of 2005 (EUR 255.3 million).

This stable development in the third quarter reflects the increasing linearity of order intake, revenues and EBIT. The first two quarters, for example, were markedly stronger than in 2005. The third quarter of 2006 only shows single-digit growth because the prior-year period was particularly strong. In the third quarter of 2005, the subgroup's business strategy in China was rewarded with very high revenues.

At the moment, however, current healthcare policies are continuing to heavily dampen the investment activities of hospitals – with commensurate effects on medical technology companies. Underlying the comparatively strong third quarter of 2005 was also a major order from an Australian governmental body in connection with preventative measures for a potential outbreak of bird flu.

All in all, Dräger Medical continues to growth faster than the market. Estimates of global growth in the acute point of care ("APOC") sector including home respiration remain in the region of two to three percent per annum. The reasons for Dräger Medical's proportionately higher growth rate include the further expansion of its global sales structure and the ongoing drive to improve internal processes as well as a product portfolio that meets customers' requirements.

The company generated further synergies by introducing a shared services structure for its US operations. This entailed the amalgamation of the Perinatal Care and Monitoring divisions at Draeger Medical Systems Inc., Telford, USA, with the research and development and global marketing activities of the Monitoring division remaining in Andover. Marketing, sales and service activities for customers in the US continue to be performed by Draeger Medical, Inc., which is also based in Telford.

Business performance of Dräger Medical

		Q3		9M		
		2006	2005	2006	2005	Change in %
Total order intake	**€ million**	**280.5**	**275.9**	**920.4**	**821.4**	**+12.1**
Germany	€ million	60.8	60.8	189.0	186.6	+1.3
Rest of Europe	€ million	112.9	105.1	356.3	307.3	+15.9
Americas	€ million	63.4	59.6	231.3	183.2	+26.3
Asia/Pacific	€ million	22.5	33.2	83.6	95.4	–12.4
Other	€ million	20.9	17.2	60.2	48.9	+23.1
Total revenues	**€ million**	**270.8**	**255.3**	**830.1**	**747.4**	**+11.1**
Germany	€ million	56.8	59.6	170.6	172.6	–1.2
Rest of Europe	€ million	99.4	88.6	310.5	266.6	+16.5
Americas	€ million	76.4	56.2	210.2	164.1	+28.1
Asia/Pacific	€ million	22.7	31.9	83.1	93.8	–11.4
Other	€ million	15.5	19.0	55.7	50.3	+10.7
EBITDA [1]	**€ million**	**20.3**	**20.9**	**70.2**	**66.2**	**+6.0**
Depreciation/amortization	€ million	4.9	5.8	16.7	17.0	–1.8
EBIT [2] **before non-recurring expenses**	**€ million**	**15.4**	**15.1**	**53.5**	**49.2**	**+8.7**
Non-recurring expenses	€ million	0.0	1.2	0.0	1.2	–100.0
EBIT [2]	**€ million**	**15.4**	**13.9**	**53.5**	**48.0**	**+11.5**
Net profit	**€ million**	**9.9**	**9.5**	**33.3**	**30.4**	**+9.5**
Cash flow from operating activities	**€ million**	**9.3**	**20.8**	**11.2**	**43.9**	**–74.5**
Net financial debt	**€ million**	**(41.0)**	**(103.7)**	**(41.0)**	**(103.7)**	**–60.5**
Investments	**€ million**	**1.9**	**3.2**	**19.3**	**15.1**	**+27.8**
Capital employed [3]	**€ million**	**656.5**	**571.5**	**656.5**	**571.5**	**+14.9**
Net working capital [4]	**€ million**	**438.5**	**349.3**	**438.5**	**349.3**	**+25.5**
EBIT before non-recurring expenses/ revenues	**%**	**5.7**	**5.9**	**6.4**	**6.6**	
EBIT before non-recurring expenses/ capital employed	**%**	**2.3**	**2.6**	**8.1**	**8.6**	
Gearing [5]	**Factor**	**(0.1)**	**(0.2)**	**(0.1)**	**(0.2)**	
Headcount as of September 30						
Germany		2,499	2,410	2,499	2,410	+3.7
Abroad		3,540	3,411	3,540	3,411	+3.8
Total headcount		**6,039**	**5,821**	**6,039**	**5,821**	**+3.7**

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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

Alongside the realignment of the US subsidiaries, SAP was successfully implemented at both US locations and in all business areas. SAP was also implemented in Italy and Austria, spreading the use of standardized software to more key countries. This will improve the transparency of business processes and significantly reduce the costs associated with recording and analyzing these processes as well as company figures in the future.

Strong growth in Europe and the Americas

In the first nine months of the year, the Americas and Europe excluding Germany were again the growth drivers for the company. At EUR 231.3 million, order intake in the Americas grew the most out of all the regions, climbing 26.3 percent on the prior-year period. Revenues from this region increased by 28.1 percent to EUR 210.2 million; in the US, revenues rose by 12.4 percent. All of the subgroup's subsidiaries in North and South America successfully contributed to this sound result. The company increased its customer proximity in South America by establishing its own subsidiary in Buenos Aires, Argentina, as of September 1, 2006.

Europe excluding Germany continues to perform well. Order intake is up 15.9 percent to EUR 356.3 million, while revenues climbed 16.5 percent to EUR 310.5 million. Behind this positive business performance is the continued success of CareArea™ solutions with integrated patient monitoring. Very pleasing revenue growth was recorded in Spain, in particular, as well as in Switzerland and France.

At EUR 189.0 million, order intake in Germany was up 1.3 percent on the prior-year period, while revenues fell slightly by 1.2 percent to EUR 170.6 million. These developments reflect the current inertia on the domestic market. There continued to be an investment backlog in German hospitals coupled with uncertainties due to the prolonged political wrangling over the country's healthcare system.

In Asia/Pacific, order intake dropped 12.4 percent to EUR 83.6 million and revenues by 11.4 percent to EUR 83.1 million. Underlying these nine-month results were the abovementioned developments in China and Australia, also depicted in the H1/2006 report, and the depreciation of the yen in Japan.

Investment in the future continues

The progress made by the innovation campaign is evidenced by renewed high research and development expenditure of EUR 63.9 million, which corresponds to 7.7 percent of revenues. During the third quarter, the company attended trade fairs and congresses around the world where it was able to inspire its customers with product solutions that, due to licensing procedures, are subject to individual launch schedules in local markets. At a number of European congresses in the third quarter, for example, the company showcased the home respirator Carina *home* and the telemetry device Infinity® TeleSmart.

Successful player in a challenging market and competitive environment

The patient monitoring business also played a significant role in the third quarter. The company's therapy units with integrated monitoring sold well in all regions, with demand for CareArea™ solutions in the perioperative field remaining the strongest. As a result, the subgroup further increased its share of the global monitoring market.

Dräger Medical was successful in conveying the message that an investment in medical technology, including the APOC area, can make a significant contribution to process and overall cost optimization and thus further improved its market position.

Regardless of the global developments in the healthcare sector, the company sees itself well positioned to continue its market success. At Medica 2006, the largest medical trade fair in the world, Dräger Medical plans to present an important innovation which will help the company to tap a new market segment.

Business performance of Dräger Safety

- EBIT still growing faster than revenues
- Core business particularly positive

Solid growth after nine months

In the first nine months of 2006, Dräger Safety generated EBIT of EUR 36.5 million. The subgroup thus improved EBIT by 13.7 percent on the prior year. The EBIT margin for the period was 9.0 percent (9M/2005: 8.2 percent). This positive EBIT trend is attributable to revenue growth as well as continued measures to improve processes and reduce costs.

Order intake rose by 11.7 percent to EUR 463.0 million (9M/2005: EUR 414.6 million). The delivery dates requested by customers are partly in the fourth quarter of 2006 or next year, such that a portion of this high order intake can only be recognized as revenue as of next year.

Dräger Safety's global revenues rose year on year by 4.1 percent to EUR 407.4 million in the first nine months of 2006 (9M/2005: EUR 391.3 million). This growth in order intake and revenues was again achieved through core business, but also on the back of projects in all regions and product divisions.

Strong third quarter

EBIT stood at EUR 12.6 million in the third quarter of 2006 (Q3/2005: EUR 8.1 million). This is equal to a rise of 55.6 percent, which is primarily due to revenue growth and the higher gross margin resulting from an improvement in the product mix. The EBIT margin rose to 9.6 percent (Q3/2005: 6.4 percent).

EUR 155.5 million was generated in order intake (Q3/2005: EUR 136.9 million) which equals a 13.6 percent gain on the prior year.

In this period, Dräger Safety's revenues stood at EUR 131.6 million (Q3/2005: EUR 127.0 million), up 3.6 percent on the prior-year figure. In terms of core business, all regions contributed to growth in this period.

Growth across all regions

In Germany, the strained financial situation and the resulting tight rein on public spending and a tougher competitive environment persisted in the first nine months of 2006. During the period under review, however, order intake and revenues in Dräger Safety's core business increased by four percent and nine percent, respectively. The disclosed deviation in Germany is due to the change in the invoicing for logistics services involving both subgroups.

In this region, the company won a number of major orders for head protection systems and diving equipment from civilian and public disaster protection organizations.

Business was also very good in many European countries in the first nine months of the year. In Europe (excluding Germany), order intake was up 19.1 percent, with revenue growth of 4.2 percent. In the Netherlands and the UK, a number of major oil and gas corporations ordered large numbers of the multigas detector Dräger X-am 7000 and the oxygen self-rescuer Dräger Oxy K 30 S for their workers.

Business performance of Dräger Safety

		Q3		9M		
		2006	2005	2006	2005	Change in %
Total order intake	**€ million**	**155.5**	**136.9**	**463.0**	**414.6**	**+11.7**
Germany	€ million	31.1	37.1	110.0	108.9	+1.0
Rest of Europe	€ million	75.6	58.3	211.2	177.3	+19.1
Americas	€ million	23.3	21.8	66.7	63.2	+5.5
Asia/Pacific	€ million	18.8	14.0	56.3	48.6	+15.8
Other	€ million	6.7	5.7	18.8	16.6	+13.3
Total revenues	**€ million**	**131.6**	**127.0**	**407.4**	**391.3**	**+4.1**
Germany	€ million	30.2	34.2	98.4	102.6	–4.1
Rest of Europe	€ million	56.8	54.2	179.2	172.0	+4.2
Americas	€ million	21.7	20.0	64.8	60.5	+7.1
Asia/Pacific	€ million	16.5	14.0	47.3	42.4	+11.6
Other	€ million	6.4	4.6	17.7	13.8	+28.3
EBITDA [1]	**€ million**	**17.7**	**12.4**	**50.6**	**44.1**	**+14.7**
Depreciation/amortization	€ million	5.1	4.3	14.1	12.0	+17.5
EBIT [2] **before non-recurring expenses**	**€ million**	**12.6**	**8.1**	**36.5**	**32.1**	**+13.7**
Non-recurring expenses	€ million	0.0	0.0	0.0	0.0	+0.0
EBIT [2]	**€ million**	**12.6**	**8.1**	**36.5**	**32.1**	**+13.7**
Net profit before profit/loss transfer	**€ million**	**8.6**	**5.1**	**24.4**	**21.2**	**+15.1**
Cash flow from operating activities	**€ million**	**16.9**	**7.4**	**13.8**	**10.6**	**+30.2**
Net financial debt	**€ million**	**52.7**	**45.4**	**52.7**	**45.4**	**+16.1**
Investments	**€ million**	**5.3**	**6.0**	**18.4**	**19.1**	**–3.7**
Capital employed [3]	**€ million**	**214.9**	**194.3**	**214.9**	**194.3**	**+10.6**
Net working capital [4]	**€ million**	**141.2**	**122.4**	**141.2**	**122.4**	**+15.4**
EBIT before non-recurring expenses/ revenues	**%**	**9.6**	**6.4**	**9.0**	**8.2**	
EBIT before non-recurring expenses/ capital employed	**%**	**5.9**	**4.2**	**17.0**	**16.5**	
Gearing [5]	**Factor**	**0.4**	**0.3**	**0.4**	**0.3**	
Headcount as of September 30						
Germany		1,713	1,704	1,713	1,704	+0.5
Abroad		1,936	1,897	1,936	1,897	+2.1
Total headcount		**3,649**	**3,601**	**3,649**	**3,601**	**+1.3**

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[3] Capital employed = Total assets less deferred tax assets, 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

In Sweden, Dräger Safety received an order for two escape chambers for workers involved in the construction of the Malmö city tunnel.

An order also came from Norway for the planning, design, construction and delivery of a complete deep-sea diving system, with comprehensive safety features and breathing gas logistics, for a Norwegian diver support ship used in the offshore industry. Dräger Safety has been planning, designing and constructing saturation diving systems of this kind for over 90 years. The company developed its first deep-sea diving simulator back in 1913, allowing it to gain fundamental knowledge about deep-sea diving that is still valid today.

The company expanded its market position in the Americas, both in terms of order intake (up 5.5 percent) and revenues (up 7.1 percent) year on year. The current trend has again been particularly driven by the subgroup's core business. Orders to equip the Buenos Aires Fire Department with breathing apparatus, chemical protection suits, portable gas detectors and the respiratory protection monitoring system Dräger Merlin, for example, were a boost to this trend. This is the first fire department in South America to order Dräger Merlin. The company received an order for portable gas detectors from the US in connection with the Homeland Security Program; these devices can be used to detect chemical warfare agents.

Dräger Safety's core and project business also developed well in Asia/Pacific, allowing the company to expand its market position further. Order intake was up by 15.8 percent and revenues increased by 11.6 percent. Key revenue drivers in this region were stationary gas monitoring equipment and systems for use in industry as well as a stream of orders to equip the Australian mining industry with long-term breathing apparatus and oxygen self-rescuers. A service agreement was concluded with a Taiwanese mining authority for the breathing apparatus used in local mines. In Malaysia, Dräger Safety received an order from the Kuala Lumpur Fire Department for breathing apparatus and head protection systems.

Innovations underline our competitive edge

Investments in intangible assets and property, plant and equipment in the first nine months of 2006 amounted to EUR 18.4 million (9M/2005: EUR 19.1 million).

Research and development expenditure amounted to 5.3 percent of revenues (9M/2005: 4.6 percent) or EUR 21.5 million. Funds were mainly invested in new product developments, such as new sensor technology for use in portable gas detectors. As a result, these devices can detect an ever wider range of gaseous contaminants, thereby providing better solutions to the requirements of Dräger Safety's customers. Now, specific measurements of gaseous contaminants using these devices can be carried out in almost all cases.

New business units prove very successful

Dräger Safety's two new strategic business units, Dräger Safety Solutions and Compliance, performed well. Dräger Safety Solutions is responsible for planning, developing and delivering customized system solutions, e.g. workshop, training, breathing gas management and rescue systems. Compliance is engaged in core business, selling industrial occupational safety products, e.g. small-scale respiratory protection equipment, via dealers. Both business units displayed the highest growth in order intake in the first nine months of 2006. This is an indication that Dräger Safety's reputation as a company focused on customer groups is growing.

Drägerwerk AG, other companies, consolidation

EBIT largely corresponds to the expense incurred by Drägerwerk AG for its functions which is not recharged to the subgroups on the basis of services rendered. The negative revenues are the result of consolidating revenues between the subgroups.

The increase in investments is due to the new construction project for Dräger Medical (investment volume to date: EUR 9.3 million).

The financing costs are mainly incurred because Drägerwerk AG secures most of the Group's external financing.

Business performance of Drägerwerk AG, other companies, consolidation

		Q3		9M		
		2006	2005	2006	2005	Change in %
Total order intake	**€ million**	**(1.9)**	**(8.1)**	**(17.8)**	**(24.5)**	**–27.3**
Germany	€ million	(1.9)	(8.1)	(17.8)	(24.5)	–27.3
Rest of Europe	€ million	0.0	0.0	0.0	0.0	+0.0
Americas	€ million	0.0	0.0	0.0	0.0	+0.0
Asia/Pacific	€ million	0.0	0.0	0.0	0.0	+0.0
Other	€ million	0.0	0.0	0.0	0.0	+0.0
Total revenues	**€ million**	**(2.5)**	**(8.0)**	**(18.0)**	**(24.5)**	**–26.5**
Germany	€ million	(2.5)	(8.0)	(18.0)	(24.5)	–26.5
Rest of Europe	€ million	0.0	0.0	0.0	0.0	+0.0
Americas	€ million	0.0	0.0	0.0	0.0	+0.0
Asia/Pacific	€ million	0.0	0.0	0.0	0.0	+0.0
Other	€ million	0.0	0.0	0.0	0.0	+0.0
EBITDA [1]	**€ million**	**(4.2)**	**(2.1)**	**(9.3)**	**(8.9)**	**+4.5**
Depreciation/amortization	€ million	1.6	2.0	5.7	5.7	+0.0
EBIT [2] **before non-recurring expenses**	**€ million**	**(5.8)**	**(4.1)**	**(15.0)**	**(14.6)**	**+2.7**
Non-recurring expenses	€ million	0.0	0.0	0.0	0.0	+0.0
EBIT [2]	**€ million**	**(5.8)**	**(4.1)**	**(15.0)**	**(14.6)**	**+2.7**
Net profit	**€ million**	**(9.7)**	**(9.0)**	**(27.3)**	**(28.1)**	**–2.8**
Cash flow from operating activities	**€ million**	**(0.8)**	**(5.5)**	**(27.0)**	**(52.4)**	**–48.5**
Net financial debt	**€ million**	**301.6**	**321.8**	**301.6**	**321.8**	**–6.3**
Investments	**€ million**	**9.9**	**1.7**	**10.7**	**2.9**	**+269.0**
Capital employed [3]	**€ million**	**65.7**	**83.7**	**65.7**	**83.7**	**–21.5**
Net working capital [4]	**€ million**	**(23.9)**	**(0.1)**	**(23.9)**	**(0.1)**	**.**
EBIT before non-recurring expenses/ revenues	**%**					
EBIT before non-recurring expenses/ capital employed	**%**					
Gearing [5]	**Factor**					
Headcount as of September 30						
Germany		208	218	208	218	–4.6
Abroad		1	5	1	5	–80.0
Total headcount		**209**	**223**	**209**	**223**	**–6.3**

[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, 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

Outlook

If the market environment remains the same, we expect revenue growth of seven to ten percent for Dräger Medical and three to five percent for Dräger Safety in 2006. Overall, the Dräger Group expects to achieve revenue growth of six to eight percent as well as a slightly greater increase in EBIT (before non-recurring expenses) and net profit. The subgroups also expect the increase in the operating result to be somewhat higher than revenue growth.

Interim financial statements of the Dräger Group as of September 30, 2006 (condensed)

Consolidated income statement of the Dräger Group for the period from January 1 to September 30, 2006

	Q3 2006	Q3 2005 [2]	9M 2006	9M 2005 [2]
	€ million	€ million	€ million	€ million
Revenues	**399.9**	**374.3**	**1,219.5**	**1,114.2**
Cost of sales	(204.4)	(193.3)	(626.7)	(564.6)
Gross profit	**195.5**	**181.0**	**592.8**	**549.6**
Research and development costs	(27.4)	(26.9)	(85.9)	(77.8)
Marketing and selling expenses	(113.9)	(109.2)	(341.9)	(318.3)
General administrative expenses	(31.0)	(28.8)	(90.3)	(87.6)
Other operating income	1.0	2.1	3.8	5.1
Other operating expenses	(1.4)	(1.8)	(3.8)	(3.7)
	(172.7)	**(164.6)**	**(518.1)**	**(482.3)**
	22.8	**16.4**	**74.7**	**67.3**
Profit from investments in associates	0.0	0.8	0.1	1.1
Other financial result	(0.6)	0.7	0.2	(2.9)
Financial result (before interest result)	**(0.6)**	**1.5**	**0.3**	**(1.8)**
EBIT	**22.2**	**17.9**	**75.0**	**65.5**
Interest result	**(7.5)**	**(6.6)**	**(24.3)**	**(19.3)**
Earnings before income taxes	**14.7**	**11.3**	**50.7**	**46.2**
Income taxes	(5.9)	(5.7)	(20.3)	(22.7)
Net profit	**8.8**	**5.6**	**30.4**	**23.5**
Minority interests in net profit	3.6	3.7	12.1	11.7
Net profit after minority interests	5.2	1.9	18.3	11.8
Earnings per share [1]				
per preferred share (in €)	0.41	0.15	1.46	0.95
per common share (in €)	0.39	0.13	1.41	0.90

[1] The dividend premium of EUR 0.06 on preferred shares is recognized pro rata on a quarterly basis.
[2] Prior-year figures have been adjusted (see Note 4).

Consolidated balance sheet of the Dräger Group as of September 30, 2006

	Sept. 30, 2006	Dec. 31, 2005
	€ million	€ million
Assets		
Intangible assets	177.7	178.9
Property, plant and equipment	205.5	198.4
Financial assets	4.9	4.7
Other non-current financial assets	15.0	18.1
Deferred tax assets	77.5	78.3
Non-current assets	**480.6**	**478.4**
Inventories	335.9	288.9
Trade receivables	492.7	521.4
Other current financial assets	89.0	64.8
Cash and cash equivalents	174.7	182.7
Current assets	**1,092.3**	**1,057.8**
Total assets	**1,572.9**	**1,536.2**

	Sept. 30, 2006	Dec. 31, 2005
	€ million	€ million
Equity and liabilities		
Equity	**498.2**	**502.8**
Participation capital	74.8	74.8
Provisions for pensions and similar obligations	195.3	192.2
Other non-current provisions	19.3	19.4
Non-current interest-bearing loans	193.2	233.5
Other non-current financial liabilities	5.1	5.6
Deferred tax liabilities	10.1	9.1
Non-current liabilities	**497.8**	**534.6**
Current loans and liabilities to banks	220.0	130.2
Current provisions	159.6	131.6
All other current financial liabilities	197.3	237.0
Current liabilities	**576.9**	**498.8**
Total equity and liabilities	**1,572.9**	**1,536.2**

Consolidated statement of recognized income and expenses of the Dräger Group

	9M 2006	9M 2005
	€ million	€ million
Currency translation adjustment for foreign subsidiaries	(7.6)	13.5
Changes in value recognized directly in equity	**(7.6)**	**13.5**
Earnings after taxes	30.4	23.5
Earnings after taxes and changes in value recognized directly in equity	**22.8**	**37.0**
thereof shareholders of Drägerwerk AG	12.8	20.9
thereof minority interests	10.0	16.1

Consolidated cash flow statement of the Dräger Group

		9M 2006	9M 2005 [1]
		€ million	€ million
Operating activities			
	Group net profit	30.4	23.5
+	Depreciation/amortization of non-current assets	36.5	34.7
+/–	Other non-cash expenses/income	12.1	(21.2)
–	Gain from the disposal of non-current assets	(1.5)	(0.8)
–	Other changes in other assets and equity and liabilities [4]	(79.5)	(34.1)
	Net cash used in/provided by operating activities	**(2.0)**	**2.1**
Investing activities			
–	Cash outflow for investments in intangible assets and property, plant and equipment	(48.6)	(35.8)
+	Other cash inflow from investments	2.6	6.4
+	Cash inflow from the sale of subsidiaries	17.0	10.5
	Net cash used in investing activities	**(29.0)**	**(18.9)**
Financing activities			
–	Distribution of dividends	(6.0)	(5.3)
+	Net balance of bank loans raised/redeemed and other liabilities to banks	52.8	43.8
–	Profit distributed to minority interests	(19.2)	(21.4)
–	Other changes	(2.0)	(1.8)
	Net cash provided by financing activities	**25.6**	**15.3**
	Change in cash and cash equivalents in the period under review	**(5.4)**	**(1.5)**
–/+	Effect of exchange rates on cash and cash equivalents	(2.6)	4.6
+	Cash and cash equivalents at the beginning of the fiscal year [2]	182.7	178.0
	Cash and cash equivalents as of September 30 of the fiscal year [3]	**174.7**	**181.1**

[1] As in the cash flow statement in the annual report for 2005, other non-cash income and expenses are shown separately. The items mainly contain currency translation differences from the elimination of intragroup balances. The prior-year figures were adjusted accordingly.

[2] Cash and cash equivalents include EUR 10.2 million in cash (2005: EUR 1.7 million) which is subject to restrictions as of January 1.

[3] Cash and cash equivalents include EUR 2.2 million in cash (2005: EUR 1.7 million) which is subject to restrictions as of September 30.

[4] Other changes include EUR 5.9 million in other assets (2005: EUR 0.0 million) which are subject to restrictions as of September 30.

Consolidated statement of changes in equity

	Paid-in capital		Earned equity			Minority interests	Equity
	Capital stock	Additional paid-in capital	Reserves retained from earnings	Group net earnings	Other comprehensive income		
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
January 1, 2005 [1]	**32.5**	**38.9**	**173.9**	**5.3**	**(24.6)**	**243.1**	**469.1**
Currency translation differences					9.1	4.4	13.5
Group net profit				23.5			23.5
Minority interests in net profit				(11.7)		11.7	0.0
Distributions				(5.3)		(21.4)	(26.7)
Change in consolidated group/other			0.3			(1.7)	(1.4)
September 30, 2005 [1]	**32.5**	**38.9**	**174.2**	**11.8**	**(15.5)**	**236.1**	**478.0**
January 1, 2006	**32.5**	**38.9**	**202.2**	**6.0**	**(21.9)**	**245.1**	**502.8**
Currency translation differences					(5.5)	(2.1)	(7.6)
Group net profit				30.4			30.4
Minority interests in net profit				(12.1)		12.1	0.0
Distributions				(6.0)		(19.2)	(25.2)
Change in consolidated group/other			0.1			(2.3)	(2.2)
September 30, 2006	**32.5**	**38.9**	**202.3**	**18.3**	**(27.4)**	**233.6**	**498.2**

[1] Prior-year figures have been adjusted (see Note 4).

Notes of the Dräger Group as of September 30, 2006

1 Basis of preparation of the interim financial statements

As in 2004, Drägerwerk AG, Lübeck, prepared its consolidated financial statements for fiscal year 2005 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 2006, 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 2005 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 2005. 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, 2005 and the changes compared to September 30, 2005 were insignificant. The same consolidation principles as in the consolidated financial statements for 2005 were applied.

4 Significant changes to IASs/IFRSs as well as other changes and their effects on the interim financial statements

In the financial statements for 2005, the Dräger Group opted for the first time to recognize actuarial gains or losses directly in equity, taking account of deferred taxes, and then show them in a separate statement of recognized income and expenses instead of continuing to use the ten percent corridor. First-time application was retrospective pursuant to IAS 8 and equity was adjusted in the opening balance sheet for fiscal year 2004. The balance sheet as of September 30, 2005 was adjusted accordingly. This adjustment only had a minor effect of EUR 0.1 million on the income statement for the first three quarters of 2005.

The Dräger Group also opted to disclose other operating income and expenses separately in the income statement of the financial statements in the annual report for 2005. The income statement for the first three quarters of 2005 was adjusted accordingly.

5 Segment report

Business performance of the segments

		Dräger Medical	
		9M 2006	9M 2005
Order intake	**€ million**	**920.4**	**821.4**
Revenues	**€ million**	**830.1**	**747.4**
thereof intersegment revenues	€ million	1.0	1.3
EBITDA [1]	**€ million**	**70.2**	**66.2**
Depreciation/amortization	€ million	16.7	17.0
Impairment losses	€ million		
EBIT [2] **before non-recurring expenses**	**€ million**	**53.5**	**49.2**
Non-recurring expenses	€ million	0.0	1.2
EBIT [2, 3]	**€ million**	**53.5**	**48.0**
Net profit (Safety: before profit/loss transfer)	**€ million**	**33.3**	**30.4**
thereof profit/loss from investments in associates	€ million		
Net profit after minority interests	€ million		
Earnings per share			
per common share	**€**		
per preferred share	**€**		
Capital employed [4]	**€ million**	**656.5**	**571.5**
Assets [5]	**€ million**	**937.6**	**903.4**
thereof investments in associates	€ million		
Liabilities [6]	**€ million**	**199.8**	**213.5**
Net financial debt [7]	**€ million**	**(41.0)**	**(103.7)**
Investments	**€ million**	**19.3**	**15.1**
Non-cash expenses [8]	€ million	62.0	52.3
EBIT [2] **before non-recurring expenses/revenues**	**%**	**6.4**	**6.6**
EBIT [2] **before non-recurring expenses/capital employed**	**%**	**8.1**	**8.6**
Headcount as of September 30		**6,039**	**5,821**
Germany		2,499	2,410
Abroad		3,540	3,411

The prior-year figures were adjusted in line with IFRSs applicable as of October 2005.

[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] In the current period under review - based on EBIT - the segment result for Dräger Safety after accounting for sales proceeds of EUR 1.2 million is EUR 35.3 million. For Drägerwerk AG/other companies/consolidation, the segment result after deducting the result from investments in associates (EUR 0.1 million) is –EUR 15.1 million. At group level, the abovementioned effects produce a segment result of EUR 73.7 million. In the prior-year period, the segment result for Dräger Safety after eliminating the proceeds from the sale of Dräger InTek GmbH (EUR 2.1 million) was EUR 30.0 million. After consolidating these sales proceeds (which have no effect on the Group's results) and deducting the result from investments in associates (EUR 1.1 million), the segment result for Drägerwerk AG/other companies/consolidation is –EUR 13.6 million. The segment result for the Group after deducting the result from investments in associates (EUR 1.1 million) was EUR 64.4 million. Otherwise, the segment result corresponds to EBIT.

Dräger Safety		Drägerwerk AG Other companies Consolidation		Dräger Group	
9M 2006	9M 2005	9M 2006	9M 2005	9M 2006	9M 2005
463.0	414.6	(17.8)	(24.5)	1,365.6	1,211.5
407.4	391.3	(18.0)	(24.5)	1,219.5	1,114.2
18.2	24.7	(19.2)	(26.0)		
50.6	44.1	(9.3)	(8.9)	111.5	101.4
14.1	12.0	5.7	5.7	36.5	34.7
		0.0	0.0		
36.5	32.1	(15.0)	(14.6)	75.0	66.7
0.0	0.0	0.0	0.0	0.0	1.2
36.5	32.1	(15.0)	(14.6)	75.0	65.5
24.4	21.2	(27.3)	(28.1)	30.4	23.5
		0.1	1.1	0.1	1.1
				18.3	11.8
				1.46	0.95
				1.41	0.90
214.9	194.3	65.7	83.7	937.1	849.5
316.4	299.4	28.6	(10.0)	1,282.6	1,192.8
0.4	0.4	(0.1)	0.0	0.3	0.4
94.4	91.3	22.3	25.0	316.5	329.8
52.7	45.4	301.6	321.8	313.3	263.5
18.4	19.1	10.7	2.9	48.4	37.1
36.1	29.4	15.4	12.4	113.5	94.1
9.0	8.2			6.2	6.0
17.0	16.5			8.0	7.9
3,649	3,601	209	223	9,897	9,645
1,713	1,704	208	218	4,420	4,332
1,936	1,897	1	5	5,477	5,313

4 Capital employed = Total assets less deferred tax assets, cash and cash equivalents and non-interest bearing liabilities

5 Assets excluding all other financial assets, tax assets and interest-bearing assets. The addition of all other financial assets (EUR 4.6 million), deferred tax assets (EUR 77.5 million), tax refund claims (EUR 27.6 million), current securities and cash and cash equivalents (total of EUR 180.6 million) produces total assets or the balance sheet total for the Group as of September 30, 2006.

6 Liabilities excluding pension provisions, tax liabilities and interest-bearing liabilities. The addition of participation capital (EUR 74.8 million), pension provisions (EUR 195.3 million), non-current loans (EUR 193.2 million), deferred tax liabilities (EUR 10.1 million), current loans and liabilities to banks (EUR 220.0 million), current tax provisions (EUR 16.6 million), current tax accruals (EUR 12.9 million), tax liabilities (EUR 31.7 million) as well as non-current and current finance lease liabilities (EUR 3.6 million) produces total liabilities for the Group as of September 30, 2006.

7 Net financial debt including receivables and liabilities from cash management systems

8 Inventory write-downs, losses from bad debt allowances, allocations to provisions

6 Revenues

Revenues	9M 2006	9M 2005
Dräger Medical	830.1	747.4
Dräger Safety	407.4	391.3
Revenues subgroups	**1,237.5**	**1,138.7**
Internal revenues subgroups	(19.2)	(26.0)
Revenues service companies	10.9	9.3
Internal revenues service companies	(9.7)	(7.8)
Revenues	**1,219.5**	**1,114.2**

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.

7 Financial result

Financial result	9M 2006	9M 2005
Financial result (before interest result)	**0.3**	**(1.8)**
Interest and similar income	4.6	4.1
Interest and similar expenses	(28.9)	(23.4)
Interest result (incl. distribution for participation capital)	**(24.3)**	**(19.3)**

The financial result for 2006 includes income from the disposal of a subsidiary of EUR 1.2 million.

8 Income taxes

The income taxes for the first three quarters of 2006 were calculated on the basis of an anticipated effective tax rate of 40 percent following the change in legal form of Dräger Medical.

9 Non-current assets (selected items)

Non-current assets (selected items)	Carrying amount January 1, 2006	Additions	Disposals/ other changes	Amortization/ depreciation write-downs	Carrying amount Sept. 30, 2006
Intangible assets	178.9	9.6	(1.2)	(9.6)	177.7
Property, plant and equipment	198.4	38.8	(4.8)	(26.9)	205.5
Financial assets	4.7	1.5	(1.3)	0.0	4.9

10 Other non-current financial assets

Other non-current financial assets	Sept. 30 2006	Dec. 31 2005
Equipment based out	6.6	8.5
Finance lease receivables (lessor)	2.0	1.9
Trade receivables	0.8	2.0
Other	5.6	5.7
Total	**15.0**	**18.1**

The decline in the inventory of equipment based out is due to the sale of a subsidiary of Dräger Safety, whose main business was leasing equipment.

11 Inventories

Inventories	Sept. 30 2006	Dec. 31 2005
Finished products and merchandise	164.2	135.0
Work in process	76.6	53.1
Raw materials, consumables and supplies	94.8	96.2
Prepayments made	0.3	4.6
Total	**335.9**	**288.9**

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

12 Other current financial assets

Other current financial assets	Sept. 30 2006	Dec. 31 2005
Tax refund claims	27.6	22.4
Prepaid expenses	13.9	9.3
Purchase price receivables from the sale of subsidiaries	0.0	14.0
Other	47.5	19.1
Total	**89.0**	**64.8**

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

Purchase price receivables decreased due to contractual payments of EUR 14.0 million.

13 Other non-current and current provisions

Other non-current provisions as of September 30, 2006 mainly comprise provisions for personnel and welfare of EUR 16.2 million (December 31, 2005: EUR 16.4 million) and provisions for uncertain liabilities of EUR 3.1 million (December 31, 2005: EUR 3.0 million).

Current provisions as of September 30, 2006 also include the monthly cut-offs and largely consist of tax provisions of EUR 29.5 million (December 31, 2005: EUR 15.6 million), provisions for personnel and welfare of EUR 41.0 million (December 31, 2005: EUR 47.0 million), warranty provisions of EUR 20.3 million (December 31, 2005: EUR 21.6 million) and provisions for other obligations in the normal course of business of EUR 68.8 million (December 31, 2005: EUR 47.4 million).

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

The decrease in non-current loans and the increase in current loans and liabilities to banks are mainly attributable to the reclassification of a note loan of EUR 35.0 million which is due in March 2007 and the financing of operations.

15 All other current financial liabilities

All other current financial liabilities

	Sept. 30 2006	Dec. 31 2005
Trade payables to third parties	**74.1**	**102.4**
Other current financial liabilities		
Liabilities for taxes	31.7	40.5
Other liabilities to employees and for social security	30.9	34.9
Prepayments received	26.6	18.2
Deferred income	16.3	15.1
Other liabilities	17.7	25.9
	123.2	**134.6**
Total	**197.3**	**237.0**

The higher carrying amount of trade payables to third parties as of December 31, 2005 is chiefly the result of a higher level of invoices received as of that date.

16 Contingent liabilities and other financial obligations

There were no significant changes in contingent liabilities and other financial obligations as of September 30, 2006 compared to those disclosed in the annual report for 2005.

17 Related party transactions

Business was transacted in 2006 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. Rent payments amounted to EUR 1,239 thousand in the first three quarters of 2006.

Dräger Objekt Möhringen GmbH & Co. KG was sold in fiscal year 2005 and is therefore no longer owned by the family. Services were rendered for companies and foundations related to the Dräger family for EUR 75 thousand.

In addition, Herbert Rehn GmbH generated revenues of EUR 1.1 million from glass products and installation contracts. This resulted in receivables of EUR 47 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 2006	
Q3/2006 report Conference call	November 14, 2006
Preliminary group result 2006 Press release	End of February 2007
Annual accounts press conference, Lübeck	March 29, 2007
Analysts' meeting, Frankfurt/Main	March 29, 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

Notes

Notes

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