Dräger Group
Q3/2007 report
(revised version)

# Q3

# Contents

## Business performance of the Dräger Group

| | | Q3/ 2007 | Q3/ 2006 | 9M/ 2007 | 9M/ 2006 | 9M/ Change in % |
|---|---|---|---|---|---|---|
| **Total order intake** | **€ million** | **495.4** | **434.1** | **1,410.1** | **1,365.6** | **+3.3** |
| Germany | € million | 101.0 | 90.0 | 298.5 | 281.2 | +6.2 |
| Rest of Europe | € million | 228.6 | 188.5 | 595.5 | 567.5 | +4.9 |
| Americas | € million | 76.1 | 86.7 | 256.9 | 298.0 | –13.8 |
| Asia/Pacific | € million | 54.8 | 41.3 | 158.9 | 139.9 | +13.6 |
| Other | € million | 34.9 | 27.6 | 100.3 | 79.0 | +27.0 |
| **Total revenues** | **€ million** | **416.1** | **399.9** | **1,253.5** | **1,219.5** | **+2.8** |
| Germany | € million | 89.4 | 84.5 | 253.9 | 251.0 | +1.2 |
| Rest of Europe | € million | 168.6 | 156.2 | 514.5 | 489.7 | +5.1 |
| Americas | € million | 84.6 | 98.1 | 255.4 | 275.0 | –7.1 |
| Asia/Pacific | € million | 46.8 | 39.2 | 139.7 | 130.4 | +7.1 |
| Other | € million | 26.7 | 21.9 | 90.0 | 73.4 | +22.6 |
| **EBITDA** [1] | **€ million** | **32.6** | **33.8** | **109.3** | **111.5** | **–2.0** |
| Depreciation/amortization | € million | 13.2 | 11.6 | 39.0 | 36.5 | +6.8 |
| **EBIT** [2] **before non-recurring expenses** | **€ million** | **19.4** | **22.2** | **70.3** | **75.0** | **–6.3** |
| Non-recurring expenses | € million | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **EBIT** [2] | **€ million** | **19.4** | **22.2** | **70.3** | **75.0** | **–6.3** |
| **Net profit** | **€ million** | **6.6** | **9.6** | **30.7** | **32.9** | **–6.7** |
| **R&D costs** | **€ million** | **29.3** | **27.4** | **89.3** | **85.9** | **+4.0** |
| **Cash flow from operating activities** | **€ million** | **58.9** | **25.4** | **107.8** | **4.5** | **–** |
| **Net financial debt** | **€ million** | **304.3** | **263.8** | **304.3** | **263.8** | **+15.4** |
| **Investments** | **€ million** | **16.5** | **17.1** | **103.6** | **48.4** | **+114.0** |
| **Capital employed** [3] | **€ million** | **952.2** | **941.9** | **952.2** | **941.9** | **+1.1** |
| **Net working capital** [4] | **€ million** | **488.0** | **560.6** | **488.0** | **560.6** | **–13.0** |
| **EBIT before non-recurring expenses/revenues** | **%** | **4.7** | **5.6** | **5.6** | **6.2** | |
| **EBIT before non-recurring expenses/ capital employed** | **%** | **2.0** | **2.4** | **7.4** | **8.0** | |
| **Gearing** [5] | **Factor** | **0.6** | **0.5** | **0.6** | **0.5** | |
| **Headcount as of September 30** | | | | | | |
| Germany | | 4,537 | 4,420 | 4,537 | 4,420 | +2.6 |
| Abroad | | 5,711 | 5,477 | 5,711 | 5,477 | +4.3 |
| **Total headcount** | | **10,248** | **9,897** | **10,248** | **9,897** | **+3.5** |

[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 three quarters of 2007

## The Dräger Group does not expect to quite match the prior year’s level of earnings

The Dräger Group published the following ad hoc report on October 30, 2007:

**Dräger Group earnings in 2007 are not expected to quite match the level of the prior year - further measures for long-term improvement are planned for 2008.**
Based on the information available on the Q3 report and the business performance forecast for the fourth quarter, Drägerwerk AG anticipates that, contrary to earlier assumptions, EBIT will fall short of the prior year’s EUR 148 million. EBIT for the three quarters totaled EUR 70.3 million, which is 6.3 percent less than the prior year (EUR 75.0 million). This fall is due in particular to the EUR 11.7 million shortfall in the Dräger Medical division’s earnings compared with the prior year’s figure of EUR 53.5 million.

Dräger Medical business in the US is the one of the main causes of this, with growth and earnings targets for the US not expected to be achieved. The Dräger Medical division’s growth in all other regions – net of the non-recurring effect of two major contracts recognized in fiscal year 2006 with revenues of EUR 55 million – and the positive development of the Dräger Safety division are expected to only partially cushion the negative influence of the US business. The Executive Board is currently drawing up a reorganization concept for North America for 2008.

To leverage the synergies of both the Dräger Medical and Dräger Safety divisions, Dräger intends to expand shared services within the Group. The aim is to enhance efficiency and quality. This in particular applies to the Group’s information technology, where costs are well above benchmark level. Dräger plans to invest a considerable amount in improving this from 2008 to 2010.

Concurrently, the Executive Board of Drägerwerk AG has decided to push the innovative Infinity ACS system to a greater degree and to invest much more in 2008 than originally planned. Infinity ACS will be the first standardized platform with particularly high-performance individual components for patient monitoring, therapy functions and information management. Information is prepared such that doctors can make swift, informed decisions. The system is scalable, mobile and can be integrated into other systems. Dräger plans to recruit additional IT experts, developers, project managers and service technicians as soon as possible and to up tests and integration simulations for this project. The Infinity ACS system's contribution to earnings (up to 10 percent was forecast for 2008) is now expected to be achieved later than originally planned. However, the additional investment should help us better capitalize on the potential of this new development, enabling us to position ourselves in the market as an innovation leader with a unique product. The Executive Board of Drägerwerk AG expects the Infinity system to make a strong contribution from 2009. Under the newly adopted project plan, the Company plans to launch the Infinity series at the end of 2007 with a widescreen monitor and to offer end-to-end systems for critical care, anesthesia and perinatal care in 2008 to 2010.

### Change in legal form is soon to be registered

The change in legal form to that of a partnership limited by shares with Drägerwerk Verwaltungs AG, Lübeck, as the general partner will soon be registered as adopted at the Company's annual shareholders' meeting on May 11, 2007. One shareholder brought an action which is currently pending before Lübeck District Court to set aside the resolution or, alternatively, have it declared null and void. The Company reacted by initiating court approval proceedings pursuant to Secs. 16 (3), 198 (3) UmwG ["Umwandlungsgesetz": German Law of Reorganizations]. During these court approval proceedings, Lübeck District Court and Schleswig Regional Court of Appeal have ruled that the action brought does not prevent the registration of the change in legal form. The Company expects the new legal form to be registered and thus become effective in the fourth quarter of the current fiscal year. It also expects that the action to set aside the resolution will not be successful. Regardless of the outcome of the proceedings to set aside the resolution, no demand to reverse the change in legal form can be made.

### Order intake and revenues exceed the prior year

After nine months, the Dräger Group was able to make up for lagging incoming orders. At EUR 1,410.1 million, order intake now exceeds the prior year by 3.3 percent. Revenues of EUR 1,253.5 million are 2.8 percent above the prior year. Assuming exchange rates had not changed, both increases would have been around two percentage points higher.

The Dräger Safety division bolstered order intake, winning further orders for deep-sea diving projects and thus, at group level, matching the Dräger Medical division's project orders received in the prior year. The Dräger Safety projects will not, however, contribute to revenues until 2008 and 2009.

Overall, after nine months Dräger Safety's order intake rose by 17.2 percent to EUR 542.6 million and revenues increased 12 percent to EUR 456.2 million. By contrast, order intake of EUR 886.1 million at Dräger Medical is 3.7 percent lower than the prior year and revenues of EUR 817.4 million are 1.5 percent below the prior-year figure.

Looking at regional performance, only the Americas fell short of the prior year, due to Dräger Medical. In Germany, the rest of Europe, Asia/Pacific and the other countries, group order intake and revenues were up year on year.

### Operating result after three quarters still down on prior year

Although consolidated revenues of EUR 1,253.5 million after nine months are 2.8 percent up on the prior year (9M/2006: EUR 1,219.5 million) and at 48.4 percent the gross margin is only 0.2 percentage points down on the prior year, EBIT of EUR 70.3 million is still below the prior year (EUR 75.0 million). The EUR 14.3 million increase in gross profit was not sufficient to offset the EUR 19.7 million increase in functional costs, which tended to increase in a straight line rather than in relation to revenues. Marketing and selling expenses in particular increased disproportionately.

The rise in research and development costs to EUR 89.3 million or 7.1 percent of revenues (9M/2006: EUR 85.9 million; 7.0 percent) is closely related to the Dräger Group's ambitious development program. Together with net financial debt, net interest expenses also increased by approx. EUR 0.6 million to EUR 20.8 million (9M/2006: EUR 20.2 million). After calculating the tax expense at a group tax rate of 38 percent, the net profit for the three quarters totals EUR 30.7 million, which is EUR 2.2 million below the comparable prior-year period.

Nonetheless, earnings per preferred share still rose from EUR 1.42 in the prior year to EUR 1.66 as a result of the acquisition of the 10 percent interest in Dräger Medical AG & Co. KG.

## 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. Including profit for the first three quarters, equity amounts to EUR 500.9 million in total, bringing the equity ratio to 30.7 percent as of September 30, 2007 (December 31, 2006: EUR 576.9 million and 35.3 percent).

The balance sheet total of EUR 1,630.5 million on September 30, 2007 is slightly lower than the total EUR 1,636.3 million recognized as of December 31, 2006. This was achieved through the reduction in current assets, in particular trade receivables, typical of the season in spite of the increase in non-current assets due to goodwill from the purchase of shares in Dräger Medical AG & Co. KG and the new building for Dräger Medical.

On the liabilities side, non-current loans increased in February 2007 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 liabilities which remain virtually unchanged.

As a result of these transactions, net financial debt as of September 30, 2007 increased to EUR 304.3 million (9M/2006: EUR 263.8 million) and capital employed to EUR 952.2 million (9M/2006: EUR 941.9 million), while net working capital decreased EUR 72.6 million compared with September 30, 2006 to EUR 488.0 million (9M/2006: EUR 560.6 million).

## Business performance of Dräger Medical

| | | Q3/ 2007 | Q3/ 2006 | 9M/ 2007 | 9M/ 2006 | 9M/ Change in % |
|---|---|---|---|---|---|---|
| **Total order intake** | **€ million** | **295.1** | **280.5** | **886.1** | **920.4** | **–3.7** |
| Germany | € million | 65.3 | 60.8 | 189.9 | 189.0 | +0.5 |
| Rest of Europe | € million | 119.8 | 112.9 | 346.5 | 356.3 | –2.8 |
| Americas | € million | 50.5 | 63.4 | 175.9 | 231.3 | –24.0 |
| Asia/Pacific | € million | 31.8 | 22.5 | 94.4 | 83.6 | +12.9 |
| Other | € million | 27.7 | 20.9 | 79.4 | 60.2 | +31.9 |
| **Total revenues** | **€ million** | **273.0** | **270.8** | **817.4** | **830.1** | **–1.5** |
| Germany | € million | 58.5 | 56.8 | 166.4 | 170.6 | –2.5 |
| Rest of Europe | € million | 106.3 | 99.4 | 312.6 | 310.5 | +0.7 |
| Americas | € million | 59.5 | 76.4 | 182.0 | 210.2 | –13.4 |
| Asia/Pacific | € million | 28.6 | 22.7 | 85.6 | 83.1 | +3.0 |
| Other | € million | 20.1 | 15.5 | 70.8 | 55.7 | +27.1 |
| **EBITDA** [1] | **€ million** | **18.8** | **20.3** | **59.2** | **70.2** | **–15.7** |
| Depreciation/amortization | € million | 5.9 | 4.9 | 17.4 | 16.7 | +4.2 |
| **EBIT** [2] **before non-recurring expenses** | **€ million** | **12.9** | **15.4** | **41.8** | **53.5** | **–21.9** |
| Non-recurring expenses | € million | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **EBIT** [2] | **€ million** | **12.9** | **15.4** | **41.8** | **53.5** | **–21.9** |
| **Net profit** | **€ million** | **7.3** | **9.9** | **27.5** | **33.3** | **–17.4** |
| **R&D costs** | **€ million** | **21.4** | **21.0** | **67.0** | **63.9** | **+4.9** |
| **Cash flow from operating activities** | **€ million** | **39.1** | **12.7** | **111.5** | **11.2** | **–** |
| **Net financial debt** | **€ million** | **(106.2)** | **(41.0)** | **(106.2)** | **(41.0)** | **+159.0** |
| **Investments** | **€ million** | **5.5** | **1.9** | **15.9** | **19.3** | **–17.6** |
| **Capital employed** [3] | **€ million** | **592.8** | **656.5** | **592.8** | **656.5** | **–9.7** |
| **Net working capital** [4] | **€ million** | **364.9** | **438.5** | **364.9** | **438.5** | **–16.8** |
| **EBIT before non-recurring expenses/revenues** | **%** | **4.7** | **5.7** | **5.1** | **6.4** | |
| **EBIT before non-recurring expenses/ capital employed** | **%** | **2.2** | **2.3** | **7.1** | **8.1** | |
| **Gearing** [5] | **Factor** | **(0.2)** | **(0.1)** | **(0.2)** | **(0.1)** | |
| **Headcount as of September 30** | | | | | | |
| Germany | | 2,440 | 2,499 | 2,440 | 2,499 | –2.4 |
| Abroad | | 3,632 | 3,540 | 3,632 | 3,540 | +2.6 |
| **Total headcount** | | **6,072** | **6,039** | **6,072** | **6,039** | **+0.5** |

[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 Dräger Medical

- Flat revenues and order intake in the first nine months
- EBIT below prior year

### Quiet first nine months

The Medical division closed the first nine months with EBIT of EUR 41.8 million (9M/2006: EUR 53.5 million). The EBIT margin of 5.1 percent was under the prior-year figure (9M/2006: 6.4 percent). Revenues of EUR 817.4 million were 1.5 percent below (9M/2006: EUR 830.1 million) and order intake of EUR 886.1 million was 3.7 percent (9M/2006: EUR 920.4 million) below the respective prior-year figure.

Business in the first nine months was quiet due to the absence of the volume provided by projects in the prior year as well as to the continued weakness of the US business in the current fiscal year. Changes in exchange rates diminished revenues and order intake by around two percentage points in each case.

With lower revenues, gross profit was around EUR 3.5 million below the prior-year figure, despite the slight increase in gross margin. Even with strict cost management, only cuts in the R&D and the sales and marketing budgets would have allowed us to maintain EBIT at the prior-year level, and such cuts would have had a negative impact on mid-term growth prospects. 8.2 percent of revenues (9M/2006: 7.7 percent) were channeled into research and development in the first nine months, evidence of the division’s commitment to investing in the enhancement of its entire current product portfolio.

Capital employed dropped to EUR 592.8 million (September 30, 2006: EUR 656.5 million), and net working capital fell to EUR 364.9 million (September 30, 2006: EUR 438.5 million), particularly due to a decrease in trade receivables and a simultaneous increase in current liabilities.

Dräger Medical reported EBIT of EUR 12.9 million in the third quarter (Q3/2006: EUR 15.4 million). At 4.7 percent, the EBIT margin was below the prior-year figure of 5.7 percent. Revenues of EUR 273.0 million (Q3/2006: EUR 270.8 million) were slightly higher than in the prior year. At EUR 295.1 million, order intake was up 5.2 percent on the prior-year figure of EUR 280.5 million. All in all, the third quarter failed to meet expectations.

### Performance varies in the regions

The rest of Europe and the Americas especially were regions which did not see a repeat of the prior year's order intake from special projects. Revenues in the regions of Germany and the Americas were down on the prior year. The remaining regions achieved growth in both order intake and revenues.

Revenues in the Americas came to EUR 182.0 million (9M/2006: EUR 210.2 million), well below the prior year. This drop is partly due to the absence of revenues from project business in Latin America recognized in 2006 and partly to the continued weakness of US business in the current fiscal year. Aside from market developments, internal factors were also at play, and there has since been a change in management within the sales organization. Exchange rate changes had a negative impact of some 7 percentage points on order intake, especially in the US. Net of currency effects, order intake in the North American market, including the new company in Canada, was 1.3 percent below the prior year's figure.

In the German market, order intake remained on a par with the prior year (up 0.5 percent), as expected. Revenues decreased only marginally (down 2.5 percent).

### Defending our position in the world market

Dräger Medical has defied the mounting competitive pressure and ongoing consolidation in the global APOC market to defend its strong position among the leading providers of products and system solutions in this market. In order to maintain this position in the long term, the division plans to perform a comprehensive analysis of its business activities and processes.

**Business performance of Dräger Safety**

| | | Q3/ 2007 | Q3/ 2006 | 9M/ 2007 | 9M/ 2006 | 9M/ Change in % |
|---|---|---|---|---|---|---|
| **Total order intake** | **€ million** | **206.8** | **155.5** | **542.6** | **463.0** | **+17.2** |
| Germany | € million | 42.2 | 31.1 | 127.2 | 110.0 | +15.6 |
| Rest of Europe | € million | 108.8 | 75.6 | 249.0 | 211.2 | +17.9 |
| Americas | € million | 25.6 | 23.3 | 81.0 | 66.7 | +21.4 |
| Asia/Pacific | € million | 23.0 | 18.8 | 64.5 | 56.3 | +14.6 |
| Other | € million | 7.2 | 6.7 | 20.9 | 18.8 | +11.2 |
| **Total revenues** | **€ million** | **150.2** | **131.6** | **456.2** | **407.4** | **+12.0** |
| Germany | € million | 38.0 | 30.2 | 107.6 | 98.4 | +9.3 |
| Rest of Europe | € million | 62.3 | 56.8 | 201.9 | 179.2 | +12.7 |
| Americas | € million | 25.1 | 21.7 | 73.4 | 64.8 | +13.3 |
| Asia/Pacific | € million | 18.2 | 16.5 | 54.1 | 47.3 | +14.4 |
| Other | € million | 6.6 | 6.4 | 19.2 | 17.7 | +8.5 |
| **EBITDA [1]** | **€ million** | **19.2** | **17.7** | **57.4** | **50.6** | **+13.4** |
| Depreciation/amortization | € million | 5.4 | 5.1 | 15.6 | 14.1 | +10.6 |
| **EBIT [2] before non-recurring expenses** | **€ million** | **13.8** | **12.6** | **41.8** | **36.5** | **+14.5** |
| Non-recurring expenses | € million | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **EBIT [2]** | **€ million** | **13.8** | **12.6** | **41.8** | **36.5** | **+14.5** |
| **Net profit (before profit/loss transfer)** | **€ million** | **9.3** | **8.6** | **27.8** | **24.4** | **+13.9** |
| **R&D costs** | **€ million** | **7.5** | **6.6** | **21.3** | **21.5** | **–0.9** |
| **Cash flow from operating activities** | **€ million** | **21.0** | **16.9** | **23.8** | **13.8** | **+72.5** |
| **Net financial debt** | **€ million** | **64.2** | **52.7** | **64.2** | **52.7** | **+21.8** |
| **Investments** | **€ million** | **5.8** | **5.3** | **17.2** | **18.4** | **–6.5** |
| **Capital employed [3]** | **€ million** | **232.8** | **214.9** | **232.8** | **214.9** | **+8.3** |
| **Net working capital [4]** | **€ million** | **153.9** | **141.2** | **153.9** | **141.2** | **+9.0** |
| **EBIT before non-recurring expenses/revenues** | **%** | **9.2** | **9.6** | **9.2** | **9.0** | |
| **EBIT before non-recurring expenses/ capital employed** | **%** | **5.9** | **5.9** | **18.0** | **17.0** | |
| **Gearing [5]** | **Factor** | **0.4** | **0.4** | **0.4** | **0.4** | |
| **Headcount as of September 30** | | | | | | |
| Germany | | 1,794 | 1,713 | 1,794 | 1,713 | +4.7 |
| Abroad | | 2,078 | 1,936 | 2,078 | 1,936 | +7.3 |
| **Total headcount** | | **3,872** | **3,649** | **3,872** | **3,649** | **+6.1** |

[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 Dräger Safety

- EBIT still growing faster than revenues
- Successful in core and project business

## Solid growth after nine months

In the first nine months of 2007, Dräger Safety generated EBIT of EUR 41.8 million. Comparable EBIT for the first nine months of the prior year came to EUR 36.5 million. This puts the year-on-year growth in EBIT at 14.5 percent. The EBIT margin for the period was 9.2 percent (9M/2006: 9.0 percent). This positive EBIT trend is attributable to revenue growth as well as continued measures to improve processes and reduce costs. This enabled us to offset the impact of the strong euro. EBIT is still growing faster than revenues.

Order intake climbed 17.2 percent (19.0 percent net of currency effects) to EUR 542.6 million (9M/2006: EUR 463.0 million). Some customers have requested delivery in 2008 or 2009. This means that part of this high order intake cannot be recognized as revenues until then.

Dräger Safety's global revenues rose by 12.0 percent (14.0 percent net of currency effects) to EUR 456.2 million in the first nine months of 2007 (9M/2006: EUR 407.4 million). This growth in order intake and revenues was achieved through core business, but also on the back of projects in all regions and product divisions.

In the third quarter of 2007, EBIT came to EUR 13.8 million (Q3/2006: EUR 12.6 million), which corresponds to an increase of 9.5 percent. The EBIT margin came to 9.2 percent (Q3/2006: 9.6 percent). EUR 206.8 million was generated in order intake (Q3/2006: EUR 155.5 million), which equals a 33.0 percent gain on the prior year. In this period, Dräger Safety's revenues stood at EUR 150.2 million (Q3/2006: EUR 131.6 million), up 14.1 percent on the prior-year figure. All regions and product divisions 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 2007. Yet order intake in the first three quarters of the year still rose by 15.6 percent to EUR 127.2 million and revenues by 9.3 percent to EUR 107.6 million. In this region, the division won, for example, major orders for head protection systems and portable gas detectors 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 17.9 percent, with revenue growth of 12.7 percent. The Dräger Interlock XT electronic immobilizer – which does not allow the car engine to be started until the driver's breath alcohol has been tested – continued to be delivered to Sweden in large numbers. We received two major orders for chemical protection suits and breathing apparatus from Russia. The Norwegian offshore industry placed orders for two more large-scale deep-sea diving systems for use on diving support vessels.

Dräger Safety Solutions supplied aircraft fire simulation and training systems to a firefighting academy in France and to Cardiff International Airport in the UK. Both systems allow firefighters to practice under realistic and controllable conditions the firefighting and evacuation procedures required in the event of a plane crash at an airport.

The division expanded its market position in the Americas, both in terms of order intake (up 21.4 percent; 29.4 percent net of currency effects) and revenues (up 13.3 percent; 20.5 percent net of currency effects) year on year. The current trend has again been particularly driven by the division's core business. Orders to supply the Dräger Interlock XT to the North American market and to equip fire departments and industrial companies with breathing apparatus, training galleries and contaminant monitoring systems, for example, were a boost to this trend. The US mining industry continues to rely on respiratory protection technology from Lübeck for its mine rescue teams, with orders still coming for the Dräger PSS BG4 long-term breathing apparatus. Our business in Central and South America is performing equally well.

Dräger Safety's core and project business also developed well in Asia/Pacific, allowing the division to consolidate its market position here further too. The increase in order intake came to 14.6 percent (17.8 percent net of currency effects) and in revenues to 14.4 percent (18.6 percent net of currency effects). We received orders from the Indonesian and Australian mining industries for the supply of large numbers of breathing apparatus and oxygen self-rescuers. The trend toward providing workers in the mining industry in Asia/Pacific with personal protection equipment thus continues. Other important revenue drivers in this region were stationary gas monitoring equipment and systems for industrial use.

### Innovations underline our competitive edge

Investments in intangible assets and property, plant and equipment in the first nine months of 2007 amounted to EUR 17.2 million (9M/2006: EUR 18.4 million). Research and development expenditure came to 4.7 percent of revenues (9M/2006: 5.3 percent) or EUR 21.3 million. Most of this expenditure went toward the development of new devices, such as the new portable four or five-gas detector Dräger X-am 5000. Its state-of-the-art sensor technology combines extremely high measurement certainty with very low operating costs. The new Dräger UCF 1600 and UCF 3200 thermal imaging cameras are used in fighting fires, finding one's way in dark or smoke-filled rooms and rescuing people. The new PSS 7000 compressed air breathing apparatus and the new Dräger HPS 6200 fire helmet provide the best possible protection during rescue and fire-fighting operations. The new products were presented to an international audience at the A+A (Safety, Security and Health at Work) trade fair in Düsseldorf, Germany, from September 18 to 21.

### One-stop shop: Dräger Safety Shutdown & Rental Service

Dräger's strategic business field Dräger Safety Solutions provides end-to-end safety planning and management for shutdowns, stoppages or overhauls of large-scale industrial facilities (Safety Shutdown & Rental Management). We won several orders in this field, in which Dräger offers end-to-end solutions ranging from providing individual safety compliance officers to providing a complete organization with staff and a management team.

**Business performance of Drägerwerk AG, other companies**

| | | Q3/ | | 9M/ | | |
|---|---|---|---|---|---|---|
| | | 2007 | 2006 | 2007 | 2006 | Change in % |
| **Total order intake** | **€ million** | **2.1** | **1.7** | **5.6** | **6.1** | **–8.2** |
| Germany | € million | 2.1 | 1.7 | 5.6 | 6.1 | –8.2 |
| Rest of Europe | € million | 0.0 | 0.0 | | | 0.0 |
| Americas | € million | 0.0 | 0.0 | | | 0.0 |
| Asia/Pacific | € million | 0.0 | 0.0 | | | 0.0 |
| Other | € million | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total revenues** | **€ million** | **2.1** | **1.6** | **5.6** | **6.1** | **–8.2** |
| Germany | € million | 2.1 | 1.6 | 5.6 | 6.1 | –8.2 |
| Rest of Europe | € million | 0.0 | 0.0 | | | 0.0 |
| Americas | € million | 0.0 | 0.0 | | | 0.0 |
| Asia/Pacific | € million | 0.0 | 0.0 | | | 0.0 |
| Other | € million | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **EBITDA** [1] | **€ million** | **3.4** | **9.6** | **58.7** | **49.8** | **+17.9** |
| Depreciation/amortization | € million | 1.9 | 1.6 | 6.0 | 5.7 | +5.3 |
| **EBIT** [2] **before non-recurring expenses** | **€ million** | **1.5** | **8.0** | **52.7** | **44.1** | **+19.5** |
| Non-recurring expenses | € million | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **EBIT** [2] | **€ million** | **1.5** | **8.0** | **52.7** | **44.1** | **+19.5** |
| **Net profit** | **€ million** | **(3.3)** | **2.7** | **35.5** | **30.0** | **+18.3** |
| **R&D costs** | **€ million** | **0.4** | **(0.2)** | **1.0** | **0.5** | **+100.0** |
| **Cash flow from operating activities** | **€ million** | **5.5** | **8.1** | **37.1** | **37.2** | **–0.3** |
| **Net financial debt** | **€ million** | **351.2** | **252.2** | **351.2** | **252.2** | **+39.3** |
| **Investments** | **€ million** | **5.2** | **9.9** | **23.8** | **10.7** | **+122.4** |
| **Capital employed** [3] | **€ million** | **666.0** | **549.2** | **666.0** | **549.2** | **+21.3** |
| **Net working capital** [4] | **€ million** | **(37.5)** | **(24.1)** | **(37.5)** | **(24.1)** | **+55.6** |
| **EBIT before non-recurring expenses/revenues** | **%** | | | | | |
| **EBIT before non-recurring expenses/ capital employed** | **%** | | | | | |
| **Gearing** [5] | **Factor** | | | | | |
| **Headcount as of September 30** | | | | | | |
| Germany | | 303 | 208 | 303 | 208 | +45.7 |
| Abroad | | 1 | 1 | 1 | 1 | 0.0 |
| **Total headcount** | | **304** | **209** | **304** | **209** | **+45.5** |

[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 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 divisions and their entities. These functions include the services provided to the Company and the Group by the legal, tax, insurance, treasury, corporate communications, 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 divisions are closely coordinated with them and invoiced in accordance with arm's length principles, 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.

EBIT of EUR 52.7 million (Q3/2006: EUR 44.1 million) is made up of the operating result generated by the companies grouped in this segment and income from investments of Drägerwerk AG of EUR 65.1 million (Q3/2006: EUR 57.8 million). As is the case every year, the operating result is negative, as Drägerwerk AG performs group functions and the current year was also impacted by the abovementioned 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 the divisions Medical, 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

Please refer to the ad hoc report dated October 30, 2007 on page 3 of this quarterly report.

# Interim financial statements of the Dräger Group as of September 30, 2007 (revised version)

**Consolidated income statement of the Dräger Group for the period from January 1 to September 30, 2007**

| | Note | | Q3/ | | 9M/ |
|---|---|---|---|---|---|
| | | 2007 | 2006 | 2007 | 2006 |
| | | € million | € million | € million | € million |
| **Revenues** | 6 | **416.1** | **399.9** | **1,253.5** | **1,219.5** |
| Cost of sales | | (217.6) | (204.4) | (646.4) | (626.7) |
| **Gross profit** | | **198.5** | **195.5** | **607.1** | **592.8** |
| | | | | | |
| Research and development costs | | (29.3) | (27.4) | (89.3) | (85.9) |
| Marketing and selling expenses | | (119.5) | (113.9) | (357.7) | (341.9) |
| General administrative expenses | | (29.1) | (31.0) | (88.6) | (90.3) |
| Other operating income | | 1.1 | 1.0 | 3.9 | 3.8 |
| Other operating expenses | | (2.4) | (1.4) | (6.1) | (3.8) |
| | | **(179.2)** | **(172.7)** | **(537.8)** | **(518.1)** |
| | | | | | |
| | | **19.3** | **22.8** | **69.3** | **74.7** |
| | | | | | |
| Profit/loss from investments in associates | | 0.0 | 0.0 | 0.2 | 0.1 |
| Other financial result | | 0.1 | (0.6) | 0.8 | 0.2 |
| **Financial result (before interest result)** | 7 | **0.1** | **(0.6)** | **1.0** | **0.3** |
| | | | | | |
| **EBIT** | | **19.4** | **22.2** | **70.3** | **75.0** |
| | | | | | |
| **Interest result** [2] | 7 | **(8.8)** | **(6.2)** | **(20.8)** | **(20.2)** |
| | | | | | |
| **Earnings before income taxes** [2] | | **10.6** | **16.0** | **49.5** | **54.8** |
| | | | | | |
| Income taxes [2] | 8 | (4.0) | (6.4) | (18.8) | (21.9) |
| **Net profit** [2] | | **6.6** | **9.6** | **30.7** | **32.9** |

| | | | | |
|---|---|---|---|---|
| **Net profit** [2] | **6.6** | **9.6** | **30.7** | **32.9** |
| thereof minority interests in net profit | 1.7 | 3.6 | 6.7 | 12.1 |
| share in net profit for participation certificates (without minimum dividend) [2] | 1.1 | 1.0 | 3.3 | 3.0 |
| net profit to be allotted to shareholders [2] | 3.8 | 5.0 | 20.7 | 17.8 |
| **Earnings per share** [1] | | | | |
| per preferred share (in EUR) [2] | 0.32 | 0.39 | 1.66 | 1.42 |
| per common share (in EUR) [2] | 0.30 | 0.37 | 1.61 | 1.37 |

[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 September 30, 2007

| | Note | | September 30, 2007 | December 31, 2006 |
|---|---|---|---|---|
| | | € million | € million | € million |
| **Assets** | | | | |
| Intangible assets | 9 | 225.3 | | 185.1 |
| Property, plant and equipment | 9 | 234.3 | | 213.9 |
| Financial assets | 9 | 4.7 | | 4.9 |
| Other non-current financial assets | 10 | 19.8 | | 15.4 |
| Tax refund claims | | 1.3 | | 1.8 |
| Deferred tax assets | | 68.3 | | 76.6 |
| **Non-current assets** | | | **553.7** | **497.7** |
| Inventories | 11 | 355.1 | | 289.3 |
| Trade receivables | | 479.4 | | 598.3 |
| Other current financial assets | 12 | 70.1 | | 47.1 |
| Tax refund claims | | 18.7 | | 18.3 |
| Cash and cash equivalents | | 153.5 | | 185.6 |
| **Current assets** | | | **1,076.8** | **1,138.6** |
| **Total assets** | | | **1,630.5** | **1,636.3** |

| | Note | | September 30, 2007 | December 31, 2006 |
|---|---|---|---|---|
| | | € million | € million | € million |
| **Equity and liabilities** | | | | |
| **Equity** [1] | | | **500.9** | **576.9** |
| Obligations from participation certificates [1] | | 26.3 | | 25.6 |
| Provisions for pensions and similar obligations | | 196.5 | | 194.0 |
| Other non-current provisions | 13 | 15.8 | | 23.3 |
| Non-current interest-bearing loans | 14 | 275.3 | | 212.1 |
| Other non-current financial liabilities | | 8.3 | | 8.4 |
| Deferred tax liabilities [1] | | 27.3 | | 25.2 |
| **Non-current liabilities** [1] | | | **549.7** | **488.6** |
| Current loans and liabilities to banks | 14 | 156.2 | | 153.3 |
| Other current provisions | 13 | 188.3 | | 162.6 |
| Trade payables | | 85.9 | | 111.2 |
| Other current financial liabilities [1] | 15 | 119.8 | | 110.0 |
| Tax liabilities | | 29.7 | | 33.7 |
| **Current liabilities** [1] | | | **579.9** | **570.8** |
| **Total equity and liabilities** | | | **1,630.5** | **1,636.3** |

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

## Consolidated statement of recognized income and expenses of the Dräger Group

| | 9M/2007 € million | 9M/2006 € million |
|---|---|---|
| Currency translation adjustment for foreign subsidiaries | (6,8) | (7.6) |
| **Changes in value recognized directly in equity** | **(6.8)** | **(7.6)** |
| | | |
| Earnings after taxes [1] | 30.7 | 32.9 |
| | | |
| **Earnings after taxes and changes in value recognized directly in equity** [1] | **23.9** | **25.3** |
| thereof minority interests [1] | 5.3 | 10.0 |
| thereof net profit for participation certificates (without minimum dividend, after taxes) | 3.3 | 3.0 |
| thereof net profit to be allotted to shareholders [1] | 15.3 | 14.3 |

## Consolidated cash flow statement of the Dräger Group

| | 9M/2007 € million | 9M/2006 € million |
|---|---|---|
| **Operating activities** | | |
| Group net profit [1] | 30.7 | 32.9 |
| + Depreciation/amortization of non-current assets | 39.0 | 36.5 |
| + Other non-cash expenses (+)/income (–) [1] | 19.2 | 14.5 |
| – Gain from the disposal of non-current assets | 0.0 | (1.5) |
| + Other changes in other assets and equity and liabilities (prior year –) [1] | 18.9 | (77.9) |
| **Net cash provided by/used in operating activities** [1] | **107.8** | **4.5** |
| | | |
| **Investing activities** | | |
| – Cash outflow for investments | (103.4) | (48.6) |
| + Cash inflow from the disposal of non-current assets | 2.0 | 2.6 |
| + Cash inflow from the sale of subsidiaries | 0.0 | 17.0 |
| **Net cash used in investing activities** | **(101.4)** | **(29.0)** |
| | | |
| **Financing activities** | | |
| – Distribution of dividends [1] | (13.8) | (12.5) |
| + Net balance of bank loans raised/redeemed and other liabilities to banks | 69.5 | 52.8 |
| – Reduction in equity due to buyback of 10 percent interest in Medical | (63.3) | 0.0 |
| – Other changes | (0.4) | (2.0) |
| – Profit distributed to minority interests | (24.7) | (19.2) |
| **Net cash used in/provided by financing activities** [1] | **(32.7)** | **19.1** |
| | | |
| **Change in cash and cash equivalents in the period under review** | **(26.3)** | **(5.4)** |
| – Effect of exchange rates on cash and cash equivalents | (5.8) | (2.6) |
| + Cash and cash equivalents at the beginning of the fiscal year | 185.6 | 182.7 |
| **Cash and cash equivalents as of September 30 of the fiscal year** | **153.5** | **174.7** |

[1] 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] | | | | –6.5 | –6.0 | | –19.2 | –31.7 |
| Currency translation differences [1] | | | | | | –5.5 | –2.1 | –7.6 |
| Group net profit [1] | | | | | 32.9 | | | 32.9 |
| Minority interests in net profit | | | | | –12.1 | | 12.1 | 0.0 |
| Change in consolidated group/other [1] | | | | 2.1 | | | –2.3 | –0.2 |
| **September 30, 2006** [1] | **32.5** | **38.9** | **56.1** | **178.5** | **20.8** | **–27.4** | **233.6** | **533.0** |
| | | | | | | | | |
| **January 1, 2007** [1] | **32.5** | **38.9** | **56.1** | **219.2** | **6.6** | **–27.9** | **251.5** | **576.9** |
| Distributions [1] | | | | –7.2 | –6.6 | | –24.7 | –38.5 |
| Currency translation differences [1] | | | | | | –5.4 | –1.4 | –6.8 |
| Group net profit [1] | | | | | 30.7 | | | 30.7 |
| Minority interests in net profits | | | | | –6.7 | | 6.7 | 0.0 |
| Buyback of 10 percent interest in Dräger Medical AG & Co. KG | | | | | | | –63.3 | –63.3 |
| Change in consolidated group/other [1] | | | | 1.5 | | –1.6 | 2.0 | 1.9 |
| **September 30, 2007** [1] | **32.5** | **38.9** | **56.1** | **213.5** | **24.0** | **–34.9** | **170.8** | **500.9** |

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

# Notes of the Dräger Group as of September 30, 2007 (revised version)

## 1 Basis of preparation of the interim financial statements

As before, 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 September 30, 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 three quarters of 2007 increased to a net profit of EUR 30.7 million (9M/2006: EUR 32.9 million) due to the interest result increasing by EUR 4.6 million (9M/2006: EUR 4.1 million) and income taxes by EUR 1.7 million (9M/2006: EUR 1.6 million). The increase in equity attributable to participation certificates came to EUR 34.7 million as of September 30, 2007 (December 31, 2006: EUR 36.9 million).

## 5 Segment report

| Business performance of the segments | | Dräger Medical | |
|---|---|---|---|
| | | 9M/2007 | 9M/2006 |
| **Order intake** | **€ million** | **886.1** | **920.4** |
| **Revenues** | **€ million** | **817.4** | **830.1** |
| thereof intersegment revenues | € million | 1.0 | 1.0 |
| | | | |
| **EBITDA** | **€ million** | **59.2** | **70.2** |
| Depreciation/amortization | € million | 17.4 | 16.7 |
| **EBIT before non-recurring expenses** | **€ million** | **41.8** | **53.5** |
| Non-recurring expenses | € million | – | – |
| **EBIT** | **€ million** | **41.8** | **53.5** |
| | | | |
| **Net profit (Safety: before profit/loss transfer)** | **€ million** | **27.5** | **33.3** |
| 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 costs** | **€ million** | **67.0** | **63.9** |
| **Cash flow from operating activities** | **€ million** | **111.5** | **11.2** |
| **Capital employed** | **€ million** | **592.8** | **656.5** |
| **Assets** | **€ million** | **847.4** | **875.3** |
| thereof investments in associates | € million | | |
| **Liabilities** | **€ million** | **222.4** | **199.8** |
| **Net financial debt** | **€ million** | **(106.2)** | **(41.0)** |
| **Investments** | **€ million** | **15.9** | **19.3** |
| Non-cash expenses | € million | 64.6 | 62.0 |
| | | | |
| **EBIT before non-recurring expenses/revenues** | **%** | **5.1** | **6.4** |
| **EBIT before non-recurring expenses/capital employed** | **%** | **7.1** | **8.1** |
| **Gearing** | **Factor** | **(0.2)** | **(0.1)** |
| | | | |
| **Headcount as of September 30** | | **6,072** | **6,039** |
| Germany | | 2,440 | 2,499 |
| Abroad | | 3,632 | 3,540 |

Explanations to the consolidation column
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 66.0 million to be consolidated under EBIT (Q3/2006: –EUR 59.1 million) mainly relates to income from investments recognized by DWAG based on the P&L transfer agreement with Dräger Safety AG & Co. KGaA, and the distribution by Dräger Medical AG & Co. KG to Dräger Medical Holding GmbH, which is also made via a P&L transfer agreement at Drägerwerk AG.

| | Dräger Safety | | Drägerwerk AG Other companies | | Consolidation | | Dräger Group | |
|---|---|---|---|---|---|---|---|---|
| | 9M/2007 | 9M/2006 | 9M/2007 | 9M/2006 | 9M 2007 | 9M/2006 | 9M/2007 | 9M/2006 |
| | 542.6 | 463.0 | 5.6 | 6.1 | (24.2) | (23.9) | 1,410.1 | 1,365.6 |
| | 456.2 | 407.4 | 5.6 | 6.1 | (25.7) | (24.1) | 1,253.5 | 1,219.5 |
| | 20.5 | 18.2 | 4.1 | 4.8 | (25.6) | (24.0) | | |
| | | | | | | | | |
| | 57.4 | 50.6 | 58.7 | 49.8 | (66.0) | (59.1) | 109.3 | 111.5 |
| | 15.6 | 14.1 | 6.0 | 5.7 | 0.0 | 0.0 | 39.0 | 36.5 |
| | 41.8 | 36.5 | 52.7 | 44.1 | (66.0) | (59.1) | 70.3 | 75.0 |
| | – | – | – | – | – | – | – | – |
| | 41.8 | 36.5 | 52.7 | 44.1 | (66.0) | (59.1) | 70.3 | 75.0 |
| | | | | | | | | |
| | 27.8 | 24.4 | 35.5 | 30.0 | (60.1) | (54.8) | 30.7 | 32.9 |
| | | | 0.2 | 0.1 | – | – | 0.2 | 0.1 |
| | | | | | | | 24.0 | 20.8 |
| | | | | | | | | |
| | | | | | | | 1.66 | 1.42 |
| | | | | | | | 1.61 | 1.37 |
| | | | | | | | | |
| | 21.3 | 21.5 | 1.0 | 0.5 | – | – | 89.3 | 85.9 |
| | 23.8 | 13.8 | 37.1 | 37.2 | (64.6) | (57.7) | 107.8 | 4.5 |
| | 232.8 | 214.9 | 666.0 | 549.2 | (539.4) | (478.7) | 952.2 | 941.9 |
| | 360.4 | 316.2 | 716.0 | 579.7 | (551.8) | (488.6) | 1,372.0 | 1,282.6 |
| | 0.5 | 0.4 | 0.3 | (0.1) | – | – | 0.8 | 0.3 |
| | 122.4 | 94.4 | 41.2 | 28.3 | (13.5) | (10.8) | 372.5 | 311.7 |
| | 64.2 | 52.7 | 351.2 | 252.2 | (4.9) | (0.1) | 304.3 | 263.8 |
| | 17.2 | 18.4 | 23.8 | 10.7 | 46.7 | – | 103.6 | 48.4 |
| | 38.9 | 36.1 | 18.1 | 15.4 | – | – | 121.6 | 113.5 |
| | | | | | | | | |
| | 9.2 | 9.0 | – | – | – | – | 5.6 | 6.2 |
| | 18.0 | 17.0 | – | – | – | – | 7.4 | 8.0 |
| | 0.4 | 0.4 | – | – | – | – | 0.6 | 0.5 |
| | | | | | | | | |
| | 3,872 | 3,649 | 304 | 209 | – | – | 10,248 | 9,897 |
| | 1,794 | 1,713 | 303 | 208 | – | – | 4,537 | 4,420 |
| | 2,078 | 1,936 | 1 | 1 | – | – | 5,711 | 5,477 |

The key figures from the segment report are as follows:

**EBIT / EBITDA**

| | 9M/2007 | 9M/2006 |
|---|---|---|
| Net profit | 30.7 | 32.9 |
| + Interest result | 20.8 | 20.2 |
| + Income taxes | 18.8 | 21.9 |
| **EBIT** | **70.3** | **75.0** |
| + Depreciation/amortization | 39.0 | 36.5 |
| **EBITDA** | **109.3** | **111.5** |

**Capital employed**

| | 9M/2007 | 9M/2006 |
|---|---|---|
| Total assets | 1,630.5 | 1,572.9 |
| – Deferred tax assets | (68.3) | (77.5) |
| – Current securities | (12.8) | (5.9) |
| – Cash and cash equivalents | (153.5) | (174.7) |
| – Non-interest bearing liabilities | (443.5) | (372.9) |
| **Capital employed** | **952.2** | **941.9** |

**Assets**

| | 9M/2007 | 9M/2006 |
|---|---|---|
| Total assets | 1,630.5 | 1,572.9 |
| – All other financial assets | (3.9) | (4.6) |
| – Deferred tax assets | (68.3) | (77.5) |
| – Tax refund claims | (20.0) | (27.6) |
| – Current securities | (12.8) | (5.9) |
| – Cash and cash equivalents | (153.5) | (174.7) |
| **Assets** | **1,372.0** | **1,282.6** |

**Liabilities**

| | 9M/2007 | 9M/2006 |
|---|---|---|
| Liabilities recognized in the balance sheet | 1,129.6 | 1,039.9 |
| – Pension provisions | (196.5) | (195.3) |
| – Tax liabilities, tax provisions, tax accruals and deferred tax liabilities | (98.5) | (90.9) |
| – Interest-bearing liabilities | (462.1) | (442.0) |
| **Liabilities** | **372.5** | **311.7** |

| Net financial debt | 9M/2007 | 9M/2006 |
|---|---|---|
| Obligations from participation certificates | 26.3 | 25.3 |
| + Non-current interest-bearing loans | 275.3 | 193.2 |
| + Current loans and liabilities to banks | 156.2 | 220.0 |
| – Cash and cash equivalents | (153.5) | (174.7) |
| **Net financial debt** | **304.3** | **263.8** |

| Non-cash expenses | 9M/2007 | 9M/2006 |
|---|---|---|
| Write-downs on inventories | 14.2 | 12.5 |
| + Losses from bad debt allowances | 4.5 | 2.2 |
| + Allocations to provisions | 102.9 | 98.8 |
| **Non-cash expenses** | **121.6** | **113.5** |

Gearing is the ratio of net financial debt to equity.

Interim tax accruals and deferrals during the year 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 divisions follow the arm’s length principle.

## 6 Revenues

| Revenues | 9M/2007 | 9M/2006 |
|---|---|---|
| Dräger Medical | 817.4 | 830.1 |
| Dräger Safety | 456.2 | 407.4 |
| Drägerwerk AG and other companies | 11.3 | 10.9 |
| **Segment revenues** | **1,284.9** | **1,248.4** |
| Intersegment revenues | (31.4) | (28.9) |
| **Revenues** | **1,253.5** | **1,219.5** |

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

## 7 Financial result

| Financial result | 9M/2007 | 9M/2006 |
|---|---|---|
| **Financial result (before interest result)** | **1.0** | **0.3** |
| | | |
| Interest and similar income | 5.2 | 4.6 |
| Interest and similar expenses | (26.0) | (24.8) |
| **Interest result** | **(20.8)** | **(20.2)** |

## 8 Income taxes

The income taxes for the first three quarters of 2007 were calculated on the basis of an anticipated group tax rate of 38 percent.

The Bundestag, Germany's lower house of parliament, adopted the German Business Tax Reform Act ["Unternehmenssteuerreformgesetz"] 2008 on May 25, 2007. The Bundesrat, the upper house, passed this law on July 6, 2007. In accordance with IAS 12.48, changes in tax rates and tax laws were taken into account in measuring deferred tax assets and deferred tax liabilities as of the balance sheet date September 30, 2007.

Applying the new tax rates in measuring the deferred tax assets and liabilities of the German companies as of January 1, 2008 leads to an expense of EUR 4,184 thousand from tax rate changes for the Dräger Group for fiscal year 2007.

From fiscal year 2008, the German companies of the Dräger Group will mainly be affected by the following changes introduced by the German Business Tax Reform Act 2008:

- Change in tax rates, deductibility of trade tax and the trade tax base rate
- Change in amortization/depreciation rules for intangible assets and property, plant and equipment acquired from 2008
- Change in the loss offsetting provisions of Sec. 8c KStG ["Körperschaftsteuergesetz": German Corporate Income Tax Act], as amended
- Change in addbacks to and deductions from the trade tax base pursuant to Secs. 8 and 9 GewStG ["Gerwerbesteuergsetz": German Trade Tax Act], as amended
- Changes in the interest deduction allowable for tax purposes pursuant to Sec. 4h EStG ["Einkommensteuergsetz": German Income Tax Act] and Sec. 8 a KStG, as amended (interest expense limitation)

The regulations announced to date are not expected to have a material impact on current tax expense.

## 9 Non-current assets (selected items)

**Non-current assets (selected items)**

| | Carrying amount Jan. 1, 2007 | Additions | Disposals/ other changes | Amortization/ depreciation/ write-downs | Carrying amount Sept. 30, 2007 |
|---|---|---|---|---|---|
| Intangible assets | 185.1 | 51.8 | (0.7) | 10.9 | 225.3 |
| Property, plant and equipment | 213.9 | 51.8 | (3.3) | 28.1 | 234.3 |
| Financial assets | 4.9 | 0.3 | (0.4) | 0.1 | 4.7 |

Goodwill of EUR 46.7 million is included in the additions to intangible assets from the acquisition of a 10 percent interest in Dräger Medical AG & Co. KG. EUR 20.8 million for the new Dräger Medical building is included in the additions to property, plant and equipment.

## 10 Other non-current financial assets

| Other non-current financial assets | September 30, 2007 | December 31, 2006 |
|---|---|---|
| Equipment leased out | 6.8 | 6.3 |
| Finance lease receivables (lessor) | 2.6 | 1.7 |
| Trade receivables | 3.6 | 0.1 |
| Other | 6.8 | 7.3 |
| **Total** | **19.8** | **15.4** |

## 11 Inventories

| Inventories | September 30, 2007 | December 31, 2006 |
|---|---|---|
| Finished products and merchandise | 166.5 | 139.6 |
| Work in process | 81.1 | 55.6 |
| Raw materials, consumables and supplies | 100.9 | 89.8 |
| Prepayments made | 6.6 | 4.3 |
| **Total** | **355.1** | **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.

## 12 Other current financial assets

| Other current financial assets | September 30, 2007 | December 31, 2006 |
|---|---|---|
| Prepaid expenses and tax accruals | 29.1 | 9.4 |
| Securities | 12.8 | 11.0 |
| Other | 28.2 | 26.7 |
| **Total** | **70.1** | **47.1** |

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

EUR 12.8 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.

## 13 Other non-current and current provisions

Other non-current provisions as of September 30, 2007 mainly comprise provisions for personnel and welfare of EUR 13.9 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 September 30, 2007 also include the monthly cut-offs and largely consist of tax provisions of EUR 41.3 million (December 31, 2006: EUR 31.6 million), provisions for personnel and welfare of EUR 50.6 million (December 31, 2006: EUR 42.5 million), warranty provisions of EUR 20.9 million (December 31, 2006: EUR 21.5 million) and provisions for other obligations in the normal course of business of EUR 75.5 million (December 31, 2006: EUR 67.0 million).

## 14 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 as well as the reclassification of loans due within one year.

## 15 All other current financial liabilities

**All other current financial liabilities**

| | September 30, 2007 | December 31, 2006 |
|---|---:|---:|
| Other liabilities to employees and for social security | 32.3 | 32.5 |
| Prepayments received | 45.4 | 34.8 |
| Deferred income | 23.1 | 16.3 |
| Other liabilities | 19.0 | 26.4 |
| **Total** | **119.8** | **110.0** |

## 16 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 September 30, 2007 contain EUR 2.6 million in cash (September 30, 2006: EUR 2.2 million) which is subject to restrictions; EUR 0.2 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.

## 17 Contingent liabilities and other financial obligations

There were no significant changes in contingent liabilities and other financial obligations as of September 30, 2007 compared to those disclosed in the annual report for 2006.

## 18 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. Rent payments amounted to EUR 1,259 thousand in the first three quarters of 2007.

Services were rendered for companies and foundations related to the Dräger family for EUR 33 thousand. In addition, Herbert Rehn GmbH generated revenues of EUR 1,262 thousand from glass products and installation contracts. This resulted in receivables of EUR 147 thousand from Dräger Group companies. Mrs. Claudia Dräger is an employee of Drägerwerk AG.

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

Lübeck, Germany, April 25, 2010

Drägerwerk Aktiengesellschaft
The Executive Board
Stefan Dräger
Herbert Fehrecke
Gert-Hartwig Lescow
Dieter Pruss
Ulrich Thibaut

## Forward-looking statements

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

| Financial calendar 2007 | |
|---|---|
| Q3/2007 report<br>Conference call | November 13, 2007 |
| Preliminary group result 2007<br>Press release | Mid-February 2008 |
| Annual accounts press conference, Lübeck | March 18, 2008 |
| Analysts' meeting, Frankfurt/Main | March 18, 2008 |
| Q1/2008 report<br>Conference call | May 8, 2008 |
| Annual shareholders' meeting, Lübeck | May 9, 2008 |
| H1/2008 report<br>Conference call | August 7, 2008 |
| Q3/2008 report<br>Conference call | November 6, 2008 |

# Notes

# Notes

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