Single entity financial statements and management report of Drägerwerk AG & Co. KGaA

as of December 31, 2007

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Management report of Drägerwerk AG & Co. KGaA

Drägerwerk AG's change in legal form to Drägerwerk AG & Co. KGaA

The annual general meeting of Drägerwerk AG on May 11, 2007 approved the Company's change in legal form to a partnership limited by shares carrying the name Drägerwerk AG & Co. KGaA and ratified its articles of association. At the same meeting, Drägerwerk Verwaltungs AG, Lübeck, declared its accession as general partner of the converted Drägerwerk AG & Co. KGaA and approved its articles of association. An action was brought to set aside or, alternatively, have declared null and void the resolution adopted at the Company's annual general meeting on May 11, 2007, but this was retracted on January 21, 2008. In the meantime, Lübeck District Court and Schleswig Regional Court of Appeal ruled that the action brought did not prevent the registration of the change in legal form. The resolution to change the legal form thus took effect on December 14, 2007 upon entry in the commercial register at Lübeck Local Court.

The change in legal form had no effect on the Company's identity, which continues to exist as such in a different legal form with the relevant change to its name. Legal relationships which exist between the Company and third parties remain unchanged.

As a result of the change in legal form, the capital stock of Drägerwerk AG became the capital stock of Drägerwerk AG & Co. KGaA. The shareholders of Drägerwerk AG became limited shareholders of Drägerwerk AG & Co. KGaA with the same number of common and/or preferred shares that they held before the change in legal form took effect. The extent and nature of their investment thus also remain unchanged by the accession of Drägerwerk Verwaltungs AG as general partner of the Company, because the general partner has not made a capital contribution.

As a result of the resolution to change the legal form, a new articles of association was ratified for the Company. The terms of office of the members of the Executive Board of Drägerwerk AG ended by operation of law with the registration of the change in legal form. They were all appointed as members of the Executive Board of Drägerwerk Verwaltungs AG, which, as the general partner, manages the Company. As far as legally possible, the Executive Board members' employment contracts were transferred to Drägerwerk Verwaltungs AG by means of agreements between the individual members of the Executive Board, Drägerwerk AG and Drägerwerk Verwaltungs AG. The function and composition of the Supervisory Board remains unchanged. A Joint Committee was set up as a voluntary, additional body, which comprises appointed members of the Supervisory Boards of the Company and its general partner, and decides on the approval of extraordinary management transactions by the general partner. The catalog of transactions requiring approval is substantially the same as that of Drägerwerk AG prior to its change in legal form to a partnership limited by shares, with different thresholds.

The change in legal form primarily serves to improve our financing possibilities while maintaining the independence which is safeguarded by the influence of the Dräger family.

Dividend proposal

Drägerwerk Verwaltungs AG as general partner and the Supervisory Board of Lübeck-based Drägerwerk AG & Co. KGaA will propose to distribute out of the net earnings of EUR 78.1 million for fiscal year 2007 a cash dividend of EUR 0.55 per preferred share (2006: EUR 0.55) and EUR 0.49 per common share (2006: EUR 0.49), hence a total EUR 6.6 million, and carry forward the balance of EUR 71.5 million.

The preferred share dividend also governs the dividend for participation certificates, which will amount to EUR 5.50 each (2006: EUR 5.50). Participation certificates entitle the holder to a dividend 10 times the preferred share dividend since their arithmetic par value is 10 times that of a preferred share.

Business activities

Drägerwerk AG & Co. KGaA, Lübeck, directly or indirectly holds the shares in the parent companies of the Dräger Medical division (75 percent) and the Dräger Safety division (100 percent). Following the acquisition from Siemens of a 10 percent interest in Dräger Medical AG & Co. KG on February 28, 2007, the interest held in the latter company and thus in the entire Medical division rose from 65 percent to 75 percent. This purchase was agreed as part of the revision of Siemens' contractual put option and has no effects on the Dräger Medical AG & Co. KG joint venture between Dräger and Siemens. With the focus being placed on the core business of the two divisions, Medical and Safety, in prior years, the Company now only has a few other small shareholdings.

Drägerwerk AG & Co. KGaA has functions which serve to fulfill the core tasks of the Company as well as provide services to the divisions and their subsidiaries. These functions include the legal, tax and insurance departments, the treasury, public relations, investor relations, financial control and accounting departments for the Company and the Group, HR, the internal audit and basic research departments and real estate management via a real estate company (Dräger Immobilien GmbH).

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 currently above benchmark level. Dräger plans to invest a considerable amount in improving this from 2008 to 2010. To this end, a Corporate IT department has been set up within Drägerwerk AG & Co. KGaA which will gradually take over the IT activities including managing external service providers. Corporate Communications and the Training section of Human Resources were also centralized. The services to the divisions are closely coordinated with them and invoiced in accordance with arm's length principles.

The most important task of Drägerwerk AG & Co. KGaA is the management of the Group in its capacity as the ultimate parent company. This task has been facilitated by appointing a member of the Executive Board of the general partner as Executive Board Chairman of each of the divisions' parent companies. The business activities of the Dräger Medical and Dräger Safety divisions are discussed in detail in the Group management report.

Control systems

The planning and control systems are based on the Dräger Group's annually revised strategic plan. This plan contains the Group's targets, which are developed in line with expected market developments, technological trends and their influence on products and services, as well as with the financial means of the Dräger Group. The head offices of the Group and the two divisions are closely linked with the various business units, regions and Group companies in the strategic plan.

The results are condensed in a five-year plan, the first year of which is developed into a detailed budget for the coming year including target figures for operating activities. These are the EBIT margin and ROCE.

The latest figures are explained in the section "Business performance of the Dräger Group". Target figures for the monthly reports on the development of the net assets, financial position and results of operations of the Group companies, divisions and the Dräger Group as a whole are derived from this budget. These data are supplemented by detailed information required for the management of the Group's operating activities. In addition to these reports, semi-annual risk reports are then compiled which mainly address the strategic risks that cannot be directly derived from the Group's figures.

The reports are discussed during Executive and Supervisory Board meetings and provide essential information for key decisions.

The volume and composition of order intake and revenues as well as EBIT and ROCE are important indicators of current performance. Early indicators for strategic development are the development project pipeline and the status of those projects, market response to new products, the development of regional markets and Dräger's competitive position within these markets.

Further details of the management and control structure can be found in the corporate governance report contained in the 2007 annual report of the Dräger Group.

General economic conditions

2003 to 2007 saw the longest and strongest period of global economic growth since the end of the 1960s, and at the start of 2008, a sizeable growth rate of 4.9 percent is expected for the real global gross domestic product (GDP) for 2007. This includes impressive growth rates recorded in China (11.4 percent), India (9.0 percent), Brazil (5.0 percent), and other countries classified as "emerging markets". GDP is expected to have grown by 7.2 percent in Russia. This development is the result of increasing globalization.

The major markets, however, remained the driving force behind global economic activity in 2007 despite increasing fears of a recession. GDP growth of 2.5 percent is predicted for the euro area, including Germany at 2.6 percent. GDP growth of 1.5 percent is expected in Japan and 1.9 percent in the US, which is lower than in 2006 (3.3 percent).

However, in light of the situation which arose towards the end of 2007, these developments in the individual economies in 2007 are of only limited importance.

The problem which has been known for years in the US consumer housing sector led the market for securitized mortgages for borrowers with poor credit rating (subprime market) to collapse. A credit squeeze in the shortterm interbank market followed, which, among other things, led to significantly higher risk premiums. Energy prices reaching record highs and a fast-weakening dollar added to the dismal picture. Currently, the most important questions are whether there will be a recession in the US and if so, whether it would spread, whether the capital market crisis will spill over into the real economy and whether the collapse of the world's stock markets will have direct ramifications for individual economies.

Business trend and results of operations

Drägerwerk AG & Co. KGaA's business trend and net profit of EUR 32.1 million (2006: EUR 22.2 million) have essentially been influenced by

(a) its result from operating activities;
(b) the performance of its operating companies.

As to (a) its result from operating activities

Drägerwerk AG & Co. KGaA's result from operating activities, including services to Group companies and third parties, was stable in fiscal year 2007. The increase in personnel expenses relates to the introduction of shared service activities within Drägerwerk AG & Co. KGaA. In addition, EUR 6.4 million is included in personnel expenses which is offset by corresponding income from cost allocations and reversals. In fiscal year 2007, non-recurring expenses of EUR 1.4 million from the change in the Company's legal form and EUR 3.0 million for the restructuring of the IT department impacted the result.

As to (b) the performance of its operating companies

The income from P&L transfer agreements (including the intragroup tax allocation) increased in fiscal year 2007 to EUR 82.7 million (2006: EUR 70.1 million). As in the prior year, no losses had to be absorbed in fiscal year 2007.

Net assets and financial position

As a result of its function within the Dräger Group, Drägerwerk AG & Co. KGaA presents a balance sheet where high financial assets, intercompany receivables and liabilities, and liabilities from Group financing prevail.

In fiscal year 2007, non-current assets remained stable at EUR 650.8 million (December 31, 2006: EUR 648.5 million). As regards property, plant and equipment and intangible assets, additions of EUR 8.7 million outweighed disposals with net carrying values of EUR 0.2 million. Software licenses were purchased for EUR 1.2 million and infrastructure measures were carried out for EUR 1.4 million, including prepayments made in connection with the new Medical building. Furthermore, the plot of land and the canteen were acquired from ACF Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Finkenberg KG, Eschborn, for EUR 3.2 million and this equity investment was subsequently sold.

Drägerwerk AG & Co. KGaA financed the acquisition of a 10 percent share in Dräger Medical AG & Co. KG by Dräger Medical Holding GmbH by raising additional note loans totaling EUR 100 million. As a result, both liabilities to banks and receivables from Group companies increased. Note loans now total EUR 280 million and are due in up to eight years. Netting this amount with cash and cash equivalents results in net financial liabilities to banks of EUR 209.7 million (December 31, 2006: EUR 123.0 million). By comparison, net liabilities to Group companies of EUR 50.5 million disclosed in the prior year have turned into a receivable from Group financing of EUR 61.7 million.

Drägerwerk AG & Co. KGaA's net profit increased equity to EUR 384.8 million (December 31, 2006: EUR 359.3 million), which now equals 42.8 percent of the balance sheet total (December 31, 2006: 43.5 percent).

Personnel

As of December 31, 2007, Drägerwerk AG & Co. KGaA employed 246 people (December 31, 2006: 142).

A systematic and comprehensive training and personnel development strategy is essential to safeguard our competitiveness long term. Dräger has always invested substantially in our employees' knowledge and professional development. To ensure a consistent strategic focus and the best possible use of resources, in 2007 the capacities in these areas from all divisions were pooled Groupwide in the Corporate Human Resources department at Drägerwerk AG & Co. KGaA. All areas of personnel development and professional and vocational training, both relating to strategy and operations, now fall under the responsibility of one function.

Assessment and feedback systems are a fundamental element of the culture of management and cooperation we all subscribe to at Dräger. On a rotating basis, the employee survey and leadership feedback tools provide all Dräger employees with the opportunity once a year to give their managers and the Company's management feedback on job satisfaction, how they experience management and other topical issues within the Company. The fact that throughout the Group over 80 percent participated in 2007 is proof that our employees continue to be very interested in making an active contribution to improvements.

Research and development

The research department at Drägerwerk AG & Co. KGaA employs 47 people, who are engaged in product basics and researching and developing promising new technologies for the divisions. Our basic research department's main task is to explore new technologies and develop technical solutions for potential applications. Technologies are not transferred to product development until they are sufficiently technologically mature. This reduces technological risk during the development process. The research and development departments cooperate with universities, research institutes and innovative companies worldwide. The comprehensive innovation processes in place within the Group facilitate the inclusion of the latest research findings and cutting-edge technologies which meet our high quality standards in the product development process. Customer value is our key focus from an early stage in development. Information and communication technologies are becoming increasingly important, in particular in the development of software for integrated products, systems and services.

Dräger Safety's projects are supported by the research department, for example in the development of new detection principles which are used for more sensitive, selective and stable measuring of molecular components in the air and in breathing gas. A new Dräger "drug test" is proving to be a technological platform which can be used to detect drug consumption easily and reliably in saliva. At Dräger Medical, a software platform was created into which "smart" solutions to support treatment decisions can be integrated as the user requires. Furthermore, the research department assisted in the development of the first tomographic monitor that constantly measures the air in specific areas of the lungs and displays the data continuously.

In 2007, expenses of EUR 5.7 million (2006: EUR 6.2 million) for research and development services were incurred and recharged to the two divisions. These were almost all of the expenses incurred by this department.

Dr. Ulrich Thibaut took charge of the Executive Board's new research and development function on June 18, 2007. By introducing a Group-wide function in this cross-divisional area, Dräger is fortifying the Company's sustainable development and innovative strength.

Environmental protection

Environmental protection and sustainable operations are key objectives of the Dräger Group that are not only integrated in the processes of our companies in Lübeck, our biggest site with the most important production plants, but also anchored in our global quality and environmental policies applicable to all Dräger companies.

At Dräger, we also apply the tried-and-tested management instruments we have been using for years to continuously improve plant and product-related environmental protection to actively contribute to CO_2 reduction and climate protection. In the past years, this has in particular led to a steady reduction in specific CO_2 emissions at the Lübeck plants. In the new Dräger building, we also succeeded in remaining more than 25 percent below the ambitious Energy Conservation Regulations thanks to energy-saving concepts for building insulation, air-conditioning and heating. Dräger is thus helping to reduce CO_2 emissions long term. Thanks to the block-type thermal power plant with a furnace thermal output of 2.4MW which was taken into operation at the end of 2007, we are now using the latest combined heat and power technology which, with a total effectiveness of around 85 percent, makes a noticeable contribution to the efficient use of primary energy and the competitiveness of the Company in times of increasing electricity and energy prices. Resolute focus on climate protection considerations will continue to be a key feature of future construction and modernization projects as well as concepts to improve local infrastructure, and will impact the activities of our employees the world over, including those at our subsidiaries.

The systematic, DIN EN ISO 14001 environmental management certification of all German Dräger companies we have practiced for years continues to contribute to upholding high environmental standards. Association certification is not limited to our own companies: third-party firms on our site which are customers or important suppliers are also included in our environmental management system in Lübeck. High environmental standards at Dräger companies again contributed to Dräger's ranking as one of the best of 10 companies that participated in an external corporate responsibility rating process.

Electricity, water, natural gas and heating oil consumption and total solid waste remain the most important measures of direct environmental considerations at the Lübeck site. Raw materials are only processed in small quantities, apart from a few exceptions such as calcium oxide (for soda lime production), activated carbon (for the production of breathing filters), potassium superoxide (for Oxy K breathing apparatus) and packaging materials. Key environmental data show that we have again succeeded in remaining below the prior-year figures in all areas. A further reduction in the absolute consumption of heating energy will only be possible in certain areas by means of additional building insulation measures. The main sources of energy and resource consumption in the production processes were evaluated and the resulting saving measures from an ecological and cost perspective have been almost fully implemented. Where there is no change in production technology, increases and decreases in consumption primarily result from fluctuations in production output. This applies in particular to Dräger Safety, where energy and water consumption have a greater effect on production than at Dräger Medical, where production processes chiefly consist of low-emission device assembly.

In Lübeck, Dräger's carbon dioxide emissions primarily arise from the use of natural gas and oil to generate heat, which comprise around 55 percent of the total energy consumption and, as a result of their low CO_2 equivalent, contribute to the fact that the average workstation-specific CO_2 emissions per employee are around 3t per year (excluding personal CO_2 emissions, for example from the use of public transport and cars to get to work). Electricity consumption, which has a greater effect on the climate, has steadily increased in relation to total energy consumption over the past years and now makes up 45 percent of the total. This is, however, more a result of extensive heating energy savings than of an increase in electricity consumption.

Adjusted for special effects from construction work in 2006, water consumption fell by 14,000m³ to approx. 82,000m³ in 2007. Consumption per employee in office and production areas of Dräger Medical is stable at around 35l per day, which is on a par with standard household consumption. At 160l per employee per day, consumption at Dräger Safety is considerably higher, mainly as a result of water-intensive production processes for filter paper and suction filters for which there is currently no significant savings potential.

Waste per location remained constant year on year, both in terms of the volumes recorded per waste category and the total volume. There were no significant differences in the volumes of waste per company either. In Lübeck, both Dräger Medical and Dräger Safety generated waste of approximately 1,000 metric tons (mt), of which more than 99 percent was recycled. A further reduction in waste volume, which in part is process-related, could potentially mean compromising on quality in important production areas. For this reason, our waste management has defined measures which will improve the efficient separation of waste where it is generated, will contribute to a further reduction in costs and enable higher quality recycling of waste. Target-group-specific leaflets on waste have been compiled for all employees to improve communication on our waste processes.

All external requirements on product-related environmental protection, for example the Chinese RoHS, have been implemented at all Dräger companies, which meant that there were no delays or environmental disputes in connection with the delivery of Dräger products. Both divisions carefully observed the changes evolving in the exceptions to the EU RoHS for medical and safety electronic and electrical devices. The special requirements for medical devices, for example, as well as the risks and additional costs resulting from a tightening of bans on the use of certain substances, in particular lead, are discussed in constant dialog with the European authorities in order to explore the possibility of being able to make use of the existing exceptions long term, safeguard the competitiveness of Dräger products and clear the way for innovative technologies.

The new European chemicals law, the REACH regulation, will have an effect on Dräger and our products, since our companies will be affected as producers or importers and as “downstream users”. An expert working group has been set up to implement the requirements of REACH, for example pre-registration obligations, and to ensure the long-term supply and utilization of materials and preparations. The group has conducted an initial material and volume analysis and will arrange for the necessary steps to be taken together with suppliers and the European Chemicals Agency to ensure that proven Dräger technologies can still be delivered to our customers without reductions in quality resulting from REACH.

Opportunities and risks relating to future development

As the ultimate parent company, Drägerwerk AG & Co. KGaA is fully exposed to the opportunities and risks from the operating subsidiaries' and other investees' business activities and the value of its shareholdings, as well as to the risks from P&L transfer agreements.

The Dräger Group's risk and opportunity management system allows it to take a responsible approach to dealing with the inevitable uncertainties of doing business. The system enables Dräger to meet its targets by consistently taking advantage of opportunities without losing sight of the associated risks.

Our risk policies are based on the goal of securing and – by exploiting our opportunities – building on our market position and increasing the value of the Group on a sustainable basis. This involves doing our utmost to avoid or insure against risk, and responsibly managing those risks which we have to bear.

The risk management system comprises all measures that allow us to identify, measure, monitor and manage potential strategic and operational risks at an early stage. Based on the Group's and divisions' annually revised strategic plans and the resultant short and medium-term plans, systematic risk control covers business units, companies and regions, divisions and the Group through monthly reports. Our risk reports, which are routinely compiled twice a year or ad hoc as required and detail economic, market and currency risks, the competitive situation and environment, as well as risks specific to the business units, are a key part of this process. Risk management is rounded off by the activities of the Group internal audit function and the statutory audit of the financial statements.

As a matter of course, Dräger Medical and Dräger Safety submit their products and services to quality inspections and ongoing checks in accordance with stringent national and international standards and always with the special quality and risk orientation of these sectors in mind.

The long-term basis for our opportunity management is the strategic planning process and the resulting development and market positioning plans for products over their respective life cycles. This includes continuously adapting and improving our structures, for example the current strengthening of shared services within the Dräger Group. There are also significant opportunities within the measures to strengthen the Dräger brand which, together with “Technology for Life”, conveys the high standard of technology, quality and reliability. Short-term options are identified by regularly monitoring the market and the competition.

Our systems ensure that information on risks and opportunities flows to the respective process owners, the Executive Board and the Supervisory Board and, if necessary, enable action to be taken at short notice.

Drägerwerk AG & Co. KGaA’s risk management process complies fully with the objectives of the German Act on Corporate Control and Transparency (“Gesetz zur Kontrolle und Transparenz im Unternehmensbereich”: KonTraG).

Both the risks presented below and risks of which we may currently be unaware can have an impact on the Dräger Group.

Overall economic risks

Economic activity in most industrialized nations has been shaped by uncertainty of late, despite the continued stable development of the real economy. The precarious situation prevalent in the past years on the US real estate market triggered a crisis on global financial markets last year, the overall scale of which is still unknown. To date, repercussions for national and international services in the economic cycle have been kept to a minimum. The double deficit on government budget and current account in the US means that the dollar is expected to remain weak. For export-oriented eurozone companies, the current state of the weak US dollar, coupled with uncertainty as to how the exchange rate will develop, are major risk factors. Growth is expected to continue in emerging markets. The danger of a recession in key industrial economies still exists.

By strengthening its global business, the Dräger Group has achieved a broad regional diversification of revenues. Our growth targets are still focused on the Americas and Asia. Key production sites in the US, UK and in China are instrumental in reducing the currency risks associated with global business.

Numerous other factors such as global, political and cultural conflicts, including the situation in the Middle East, can affect macroeconomic factors and international capital markets and shape demand for our products and services.

Strategic risks

The industries in which Dräger Medical and Dräger Safety operate are considered future-oriented, but within each industry, further consolidation processes are expected that are likely to affect the structure and intensity of competition. We are up against strong competitors, some of whom have access to extensive resources. In both divisions, the Dräger Group is dependent on the investment capacity of public bodies, since the majority of customers both in

Germany and abroad are public hospitals and other institutions, for example the fire service, the police force, the military and public disaster response. A trend toward lower public spending has emerged in many industrialized nations in the past years, for example in the US, China and also in Germany. In response to these challenges, we are cementing and further expanding our position in the traditional and emerging markets through customer focus, innovation, the high quality and reliability of our products and services and, where expedient to business, active involvement in the consolidation process. The focus we have placed on the core businesses of Dräger Medical and Dräger Safety and a constant review of their limitations over the last few years is a key pillar of this strategy.

Operational risks

One important challenge is keeping the product portfolio of the Dräger Group divisions up to date, incorporating both technological leadership and products which appeal to a large section of the market. Together with technology, excellent cost structures are important for the market position and business success of the Dräger Group. This requires not only a high quality product portfolio in line with market requirements but also the ability to control operating processes, from development, sales and order fulfillment through to maintenance of products on the market. In line with the increase in project business in the divisions of the Dräger Group, cost accounting and cost-related risks for single orders are increasing.

Research and development are of prime importance in the Dräger Group, both in the divisions and at the headquarters. In order to maintain the current product portfolio and those products that are being developed, we need to work closely with reliable, competent suppliers who need to be integrated into our processes, since the level of vertical production in our business model has been reduced to the necessary core technologies and the assembly of purchased parts and components. To manage the risks this entails, information processes are structured, the necessary internal and external interfaces in the global processes are optimized and the performance of external partners is carefully reviewed. Quality standards safeguard the supplier selection and procurement processes. Our operating processes are continuously being improved; the action taken in recent years is proof that the Dräger Group has responded to these challenges in the divisions and at the headquarters.

IT risks

Our business processes require a reliable, cost-effective IT solution.

To improve our position, IT activities have been pooled in the Corporate IT department within Drägerwerk AG & Co. KGaA. As a shared service, this unit will provide IT services to all Group companies.

In connection with this, parts of the outsourced IT services were taken over by external providers. IT management, coordination, project management and control are the functions which will first and foremost be strengthened. A role concept links the business and IT processes. Coordination with external service providers is still of prime importance. These service providers are highly competent companies. The most important project for the next three/four years is the creation of a common IT platform for all Dräger companies.

Personnel risks

Competition for highly qualified staff is fierce in the industries in which our divisions operate. Recruiting and retaining well-qualified staff for all functions and regions is crucial for our further development. We therefore attach great importance to measures to boost our attractiveness as an employer.

Regulatory and legal risks

Our divisions' products are subject to varying and ever-increasing regulation in all of the countries they operate in, regardless of the extent of their operations. The extensive measures necessary to comply can generate considerable operating costs. The obligations can arise from public law, such as tax law, or civil law. Also important for our business are laws to protect intellectual property and third-party concessions, varying licensing regulations for products, competition law regulations, regulations in connection with awarding contracts, provisions on export control, and much more. Drägerwerk AG & Co. KGaA is also subject to legal regulations governing capital markets.

Companies in the Dräger Group are currently and may in the future be involved in lawsuit in connection with their business activities. To counter such legal risks, we have taken out liability insurance policies with coverage which the Executive Board of the general partner considers appropriate and customary for the industry.

In some regions, legal uncertainty could result from us only having limited possibilities to assert our rights.

The Dräger Group endeavors to comply with all legal and regulatory obligations and corresponding internal regulations and directives are in place. A central compliance organization is being set up to improve and increase transparency.

Risks from financial instruments

The financial situation of the Dräger Group is key to assessing the financial risks faced by Drägerwerk AG & Co. KGaA.

The aim of the Dräger Group is to control liquidity risk and risk from financial instruments, i.e. interest rate, currency and credit risk. The liquidity risk and the interest rate risk are hedged centrally by Drägerwerk AG & Co. KGaA, whereas the currency risk is the joint responsibility of Drägerwerk AG & Co. KGaA and the divisions. The credit risk with regard to cash investments and derivatives is mitigated centrally, while the credit risk from receivables from operating activities is the responsibility of the divisions.

Marketable hedging instruments contracted with reputable banks as counterparties are the only financial derivatives we use. Derivatives may only be traded by members of the Dräger Group if they have been approved beforehand.

We mitigate our liquidity risk by diversifying the maturity structure of our financing instruments. In addition to near-equity participation certificates, we have raised note loans which are due in one to eight years. We also have non-current and current liabilities to banks as well as a liquidity reserve comprising freely available credit facilities with numerous banks with which we have concluded bilateral agreements. Due to the maturity structure of these financing instruments, there is only a limited repricing risk.

Substantial cash and cash equivalents and trade receivables also provide us with additional financial scope.

The Dräger Group is mainly exposed to interest rate risks in relation to the euro. We counter these risks using a combination of fixed and variable-interest financial liabilities, hedging a portion of the variable interest with interest rate caps. Cash investments are made exclusively on the money market or in short-term, fixed-income investment grade securities.

We counteract the currency risk from euro transactions by hedging the net balances of budgeted income and expenses as well as short-term positions resulting from the settlement of receivables and liabilities in foreign currencies. Production in the US has proven a favorable factor by almost zeroing the net balance of US dollar income and expenses of Dräger Medical. Production in the US is also bolstering Dräger Safety.

Going by our experience over the last few years, the credit risk from operating activities is extremely low given the customer structure of the Dräger Group.

The management of financial risk has been discussed in detail in the notes to the Group financial statements in the annual report of the Dräger Group.

The joint venture agreement between the participating companies of Drägerwerk AG & Co. KGaA (Dräger) and Siemens AG (Siemens) and the articles of association of Dräger Medical AG & Co. KG originally granted Siemens a put option upon whose exercise Dräger would have to buy the entire stake held by Siemens in the limited partnership at a determined formula price. In fiscal year 2006, the agreement was amended to the effect that Dräger is no longer obligated to buy the limited shares. Now, Dräger must either agree to buy the limited shares offered by Siemens at the formula price or else support a sale by Siemens to a third party by selling some of its own limited shares if necessary. Both parties have since agreed that Dräger will increase its stake in Dräger Medical AG & Co. KG from 65 percent to 75 percent in 2007 by acquiring limited shares held by Siemens. Siemens also plans to acquire a 2.5 percent stake in Drägerwerk AG & Co. KGaA. If Siemens offers to sell its remaining share back to Dräger and we accept this offer, it could result in a high financial liability. Following its transformation into a partnership limited by shares, Dräger is permitted to finance such a purchase using both equity and debt.

Overall risk

In view of the information currently available to us, Drägerwerk AG & Co. KGaA's continued existence as a going concern is not jeopardized.

Remuneration report

The remuneration report, which explains the principles for determining the remuneration of the Executive board of the general partner and the Supervisory Board, is contained in Note 30 of the notes to the financial statements.

Other disclosures pursuant to Sec. 289 (4) HGB ("Handelsgesetzbuch": German Commercial Code)

The capital stock of Drägerwerk AG & Co. KGaA consists of 50 percent common shares and 50 percent preferred shares. Other than voting rights, the preferred shares have the same rights as those attached to the common shares. As compensation for the lack of voting rights, an advance dividend of EUR 0.13 per preferred share is distributed from net earnings. If sufficient profits are available, a dividend of EUR 0.13 per common share is then paid. Any profit in excess of this amount, if distributed, is allocated so that preferred shares receive EUR 0.06 more than common shares. If the profit is not sufficient to distribute the advance dividend for preferred shares in one or more years, the amounts are paid from the profit of subsequent fiscal years before a dividend is paid on common shares. If amounts in arrears are not paid in the next year along with the full preferred dividend for that year, the preferred shareholders have voting rights until the arrears have been paid. In the event of liquidation, the preferred shareholders receive 25 percent of net liquidation proceeds in advance. The remaining liquidation proceeds are distributed evenly to all shares.

In the legal form of a partnership limited by shares (KGaA), the general partner is authorized to manage and represent the Company, a regulation derived from partnership law. Drägerwerk Verwaltungs AG is the general partner of Dräger, and its Executive Board fulfils its duties.

The Supervisory Board of Drägerwerk AG & Co. KGaA, which is elected by the annual general meeting, is not authorized to appoint or remove the general partner or its Executive Board. Pursuant to Secs. 84 AktG, it is the Supervisory Board of this company which is authorized to appoint and remove the Executive Board of the general partner, Dräger Verwaltungs AG, that is authorized to manage and represent Drägerwerk AG & Co. KGaA. The Supervisory Board of Drägerwerk AG & Co. KGaA is not authorized to adopt rules of procedure for the management or to define a catalog of management transactions requiring approval either. As defined in the articles of association of Drägerwerk AG & Co. KGaA, such approvals are part of the tasks of the Joint Committee, which comprises four members of the Supervisory Board of Drägerwerk Verwaltungs AG and four members of the Supervisory Board of Drägerwerk AG & Co. KGaA.

Pursuant to Sec. 278 (3) in conjunction with Sec. 179 et seq. AktG, amendments to the articles of association of Drägerwerk AG & Co. KGaA must be approved by resolution at the annual general meeting, with a majority of at least three quarters of the voting capital represented upon adopting the resolution. As well as the relevant majority of limited shareholders, amendments to the articles of association also require the approval of both shareholder groups (Sec. 285 [2] AktG), i.e., also that of the general partner. This approval is required for all fundamental transactions.

97.87 percent of the common shares belongs to Dr. Heinrich Dräger GmbH, the majority shareholder of which is Stefan Dräger GmbH, which is owned entirely by Stefan Dräger. Stefan Dräger GmbH informed us in accordance with Sec. 21 (11) WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act) that its share in the voting rights of Drägerwerk AG & Co. KGaA equals 97.87 percent.

Stefan Dräger GmbH also holds all shares in Drägerwerk Verwaltungs AG, Lübeck, the general partner of Drägerwerk AG & Co. KGaA. Thus Mr. Stefan Dräger is both the shareholder of the general partner and also common shareholder of Drägerwerk AG & Co. KGaA. In this constellation, he is not entitled to vote in the cases covered by Sec. 285 (1) AktG. Legal arrangements at Dr. Heinrich Dräger GmbH ensure that for relevant resolutions Mr. Stefan Dräger does not exert any influence on the exercise of the voting rights of limited shares held by Dr. Heinrich Dräger GmbH.

There are no shares with special rights conferring control, or special controls over voting rights.

At present, Drägerwerk AG & Co. KGaA has neither approved nor conditional capital at its disposal. As such, the Executive Board is currently not in a position to increase the Company's capital unless this is agreed by resolution at the annual general meeting and, if applicable, approved by the Supervisory Board. In accordance with a resolution passed at the annual general meeting on May 11, 2007, the Executive Board is authorized to buy back up to 10 percent of the Company's capital stock. This authorization expires on November 10, 2008.

If employees wish to acquire shares in Drägerwerk AG & Co. KGaA, they may purchase preferred shares in the Company on the stock exchange. There are no special provisions governing employee shares in the Company's capital.

In a joint venture agreement dated December 28, 2006 regarding Dräger Medical AG & Co. KG, the limited partners Dräger Medical Holding GmbH and Siemens Medical Holding GmbH agreed to grant each other an option to purchase the limited shares. This option will take effect if more than 50 percent of the voting rights of one of the limited partners is directly or indirectly acquired by one or more third parties and a limited partner falls under the influence of one or more third parties to the extent that the third party or parties are in a position to appoint the majority of the members of the executive board of said limited partner. An alternative option is also granted to the other limited partner, whereby it may demand that the limited partner under the influence of a third party acquires its shares in the partnership.

Drägerwerk AG & Co. KGaA has no compensation agreements in place for members of the Executive Board or employees in the event of a takeover bid.

The Executive Board has made disclosures pursuant to Secs. 289 (4) and 315 (4) HGB in the management report and the Group management report which are commented on as follows:

The disclosures relate to the composition of capital stock and the different rights attaching to the two classes of shares issued by Drägerwerk AG & Co. KGaA. Explanations are also provided on the cooperation between the general partner, Drägerwerk Verwaltungs AG, and Drägerwerk AG & Co. KGaA. In addition, disclosures are provided on the shareholdings in Drägerwerk AG & Co. KGaA and its general partner, the rules on the appointment and removal of members of their Executive Board, share buybacks and changes to the articles of association. The rules are typical of those of a partnership limited by shares and considerably increase the financing potential of the family business. The disclosed change of control clause in the joint venture agreement between Medical Holding GmbH and Siemens Medical Holding GmbH relating to Dräger Medical AG & Co. KG is typical of joint venture agreements.

Subsequent events

No significant events occurred between the beginning of the new fiscal year and the preparation of the management report.

Forecast

In fiscal year 2008, Drägerwerk AG & Co. KGaA will continue to provide services to its Group companies.

The Company's 2008 net profit or loss will principally consist of income from investments and P&L transfers, the latter in particular depending on the performance of Dräger Medical and Dräger Safety. The Executive Board expects EBIT (before non-recurring expenses) to remain stable for Dräger Medical during the launch phase of further "Infinity Acute Care System" components, and to level out at around 10 percent of revenues for Dräger Safety following an outstanding year in 2007. Non-recurring expenses of between EUR 20 million and EUR 25 million are forecasted for the Group in 2008. We anticipate that revenues and earnings will increase in 2009 as well.

Single entity financial statements of Drägerwerk AG & Co. KGaA

INCOME STATEMENT OF DRÄGERWERK AG & CO. KGAA FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31

	Note	2007	2006
		€ thousand	€ thousand
Other operating income	22	42,366	38,380
Personnel expenses	23	(28,415)	(17,876)
Amortization of intangible assets and depreciation of property, plant and equipment	24	(6,948)	(5,515)
Other operating expenses	25	(37,484)	(33,275)
Income from investments	26	82,888	70,219
Write-downs on financial assets and current securities	27	0	(885)
Interest result	28	(14,170)	(14,336)
Result from ordinary operations		**38,237**	**36,712**
Income taxes		1,932	(6,221)
Other taxes		(277)	(485)
Profit/loss before distribution for participation capital		**39,892**	**30,006**
Distribution for participation capital	38	(7,774)	(7,774)
Net profit		**32,118**	**22,232**
Profit brought forward from prior year		45,998	30,371
Net earnings	**39**	**78,116**	**52,603**

BALANCE SHEET OF DRÄGERWERK AG & CO. KGAA AS OF DECEMBER 31

	Note	2007 € thousand	2006 € thousand
Assets			
Intangible assets	6	3,356	3,648
Property, plant and equipment	7	43,812	41,737
Financial assets	8	603,645	603,162
Non-current assets		**650,813**	**648,547**
Trade receivables		151	52
All other receivables and other assets		171,689	59,432
Receivables and other assets	10	171,840	59,484
Securities	11	0	583
Cash and cash equivalents	12	75,864	116,330
Current assets		**247,704**	**176,397**
Prepaid expenses	**13**	**1,102**	**374**
Total assets		**899,619**	**825,318**

	Note	2007 € thousand	2006 € thousand
Equity and liabilities			
Capital stock	14	32,512	32,512
Capital reserve	15	38,867	38,867
Reserves retained from earnings	16	160,477	160,477
Net earnings		78,116	52,603
Participation capital – par value: €36,127 thousand	17	74,797	74,797
Equity		**384,769**	**359,256**
Provisions for pensions and similar obligations		73,893	74,339
Other provisions		26,134	35,290
Provisions	**18**	**100,027**	**109,629**
Liabilities to banks		285,592	239,374
Trade payables		5,874	2,205
All other liabilities		123,357	114,854
Liabilities	**19**	**414,823**	**356,433**
Total equity and liabilities		**899,619**	**825,318**

ANALYSIS OF NON-CURRENT ASSETS OF DRÄGERWERK AG & CO. KGAA

	Cost				
	As of Jan. 1, 2007	Additions	Disposals	Reclassi-fications	As of Dec. 31, 2007
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Franchises, concessions, industrial property and similar rights and assets, as well as licenses thereto	13,228	1,201	42	95	14,482
Prepayments made	0	0	0	0	0
Intangible assets	**13,228**	**1,201**	**42**	**95**	**14,482**
Land, equivalent titles, and buildings (incl. on leased land)	122,359	3,353	0	21	125,733
Production plant and machinery	1,282	27	0	453	1,762
Other plant, factory and office equipment	18,351	2,256	1,841	1,171	19,937
Prepayments made and assets under construction	574	1,865	125	(148)	2,166
Property, plant and equipment	**142,566**	**7,501**	**1,966**	**1,497**	**149,598**
Intangible assets and property, plant and equipment	**155,794**	**8,702**	**2,008**	**1,592**	**164,080**
Shares in Group companies	605,380	0	50	0	605,330
Loans to Group companies	472	0	0	0	472
Investments	203	0	33	0	170
Other non-current securities	0	1,057	0	0	1,057
Other loans	1,242	20	607	0	655
Financial assets	**607,297**	**1,077**	**690**	**0**	**607,684**
	763,091	**9,779**	**2,698**	**1,592**[1]	**771,764**

[1] The additions of intangible assets and property, plant and equipment from Group companies can be found in the reclassifications column with their historical values.

Amortization, depreciation, and write-downs						Carrying values	
As of Jan. 1, 2007	Additions	Disposals	Write-ups	Reclassifi-cations	As of Dec. 31, 2007	Dec. 31, 2007	Dec. 31, 2006
€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
9,580	1,483	20	0	83	11,126	3,356	3,648
0	0	0	0	0	0	0	0
9,580	**1,483**	**20**	**0**	**83**	**11,126**	**3,356**	**3,648**
85,454	2,616	0	0	0	88,070	37,663	36,905
1,115	61	0	0	451	1,627	135	167
14,260	2,788	1,833	0	874	16,089	3,848	4,091
0	0	0	0	0	0	2,166	574
100,829	**5,465**	**1,833**	**0**	**1,325**	**105,786**	**43,812**	**41,737**
110,409	**6,948**	**1,853**	**0**	**1,408**	**116,912**	**47,168**	**45,385**
3,506	0	0	0	0	3,506	601,824	601,874
472	0	0	0	0	472	0	0
59	0	33	0	0	26	144	144
0	0	0	0	0	0	1,057	0
98	0	35	(28)	0	35	620	1,144
4,135	**0**	**68**	**(28)**	**0**	**4,039**	**603,645**	**603,162**
114,544	**6,948**	**1,921**	**(28)**	**1,408**[1]	**120,951**	**650,813**	**648,547**

Notes to Drägerwerk AG & Co. KGaA's single entity financial statements 2007

1 General

The annual general meeting of Drägerwerk AG on May 11, 2007 approved the Company's change in legal form to a partnership limited by shares carrying the name Drägerwerk AG & Co. KGaA and ratified its articles of association. At the same meeting, Drägerwerk Verwaltungs AG, Lübeck, declared its accession as general partner of the converted Drägerwerk AG & Co. KGaA and approved its articles of association. An action was brought to set aside or, alternatively, have declared null and void the resolution adopted at the Company's annual general meeting on May 11, 2007, but it was retracted on January 21, 2008. In the meantime, Lübeck District Court and Schleswig Regional Court of Appeal ruled that the action brought did not prevent the registration of the change in legal form. The resolution to change the legal form thus took effect on December 14, 2007 upon entry in the commercial register at Lübeck Local Court.

Drägerwerk Verwaltungs AG, Lübeck, is the sole general partner of Drägerwerk AG & Co. KGaA but it holds no shares in capital.

Further information on the transformation of Drägerwerk AG into Drägerwerk AG & Co. KGaA can be found in the management report.

The single entity financial statements of Drägerwerk AG & Co. KGaA have been prepared in accordance with the provisions of the German Commercial Code ("Handelsgesetzbuch": "HGB"). With a view to enhancing transparency of presentation, certain items of the balance sheet and income statement have been summarized but are detailed further down in these notes. For the income statement, the nature of expense method of presentation has consistently been used. The amounts in the single entity financial statements are all shown in thousands of EUR (EUR thousand).

2 Corporate governance

Drägerwerk AG & Co. KGaA's declaration of conformity under the terms of Sec. 161 AktG ("Aktiengesetz": German Stock Corporation Act) has been issued and made available to the shareholders (cf. the annual report of the Dräger Group on page 27).

3 Currency translation

Foreign currency (i.e., non-euro) receivables and liabilities are stated at the historical exchange rate. Losses from different current exchange rates are duly recognized.

4 Accounting policies

Purchased **intangible assets** are carried at cost less straight-line amortization over an estimated useful life of no more than 4 years.

Property, plant and equipment are carried at cost less straight-line depreciation over the assets' estimated useful life. Cost is recognized in accordance with the provisions of Sec. 255 (1) HGB. Consequently, it includes incidental purchase costs and post-acquisition expenses, duly allowing for acquisition cost deductions, if any. Factory and office buildings are depreciated over a maximum period of 50 years, the maximum useful life of production plant and machinery being 8 years, that of other plant, factory and office equipment 15 years, but mainly between 2 and 5 years. Wherever permitted by tax regulations, movable items of property, plant and equipment are depreciated according to the declining-balance method, applying the maximum rates permissible. When straight-line depreciation results in higher charges, this method is used thenceforth for the remaining useful life. Low-value assets are fully written off in the year of their addition. In fiscal year 2007, no special depreciation solely for income tax purposes was charged.

Within **financial assets**, the **shares in group companies, investments and non-current securities** are stated at the lower of cost and realizable value. Non or low-interest **loans** are disclosed at their present value. Discounting and compounding are shown as a write-down or write-up, respectively. Non-current assets whose values, when determined according to the aforesaid principles, exceed the lower current values are written down accordingly. **Receivables** and **other assets** are stated at principal or par, less any necessary allowances for bad debts, etc. Adequate general allowances provide for the normal collection risk. Non or low-interest receivables with a remaining term of more than one year are discounted. **Prepaid expenses** do not include loan discounts as these are directly expensed. For accounting purposes, **participation capital** is regarded as equity due to the terms and conditions upon which the participation certificates are based. Therefore, it is shown in a separate line additional to the statutory classification format, under equity and after Drägerwerk AG & Co. KGaA's net earnings. The par value of this participation capital is disclosed in the text column. Although participation capital is treated as accounting equity, the underlying participation rights maintain their obligatory nature under law. Therefore, the premium yielded over and above the par value can be neither transferred to the capital reserve nor allocated otherwise. Hence it follows that this premium continues to form an integral part of the caption "participation capital." Civil-law considerations require that any profit distributed in favor of participation capital may not be debited to a company's net earnings but offset against net profit. Consequently, the dividends for participation certificates reduce the net profit or increase the net loss for the period. The underlying dividend distribution is shown in a separate line immediately preceding net profit/loss.

Pension provisions provide for the present value of pension obligations on the basis of actuarial calculations, using an imputed annual interest rate of 6 percent.

The new company pension plan for the German Group companies introduced on January 1, 2005 is composed of three levels – the employer-funded basic level, the employee-funded top-up level, and the employer-funded supplementary level. The pension cost for the employer-funded basic level is based on the respective employee's income. The employee funded top-up level allows employees to increase their pension entitlement through deferred compensation. The contribution made at the employer-funded supplementary level depends on the employee contribution through deferred compensation and on the Dräger Group's business performance (EBIT).

The funds resulting from the new pension plan are invested in securities that are subject to special restraints on disposal. The employees' pension accounts have a minimum guaranteed interest rate of 2.75 percent.

Other provisions adequately allow for all identifiable risks in accordance with prudent business judgment. **Liabilities** are stated at the amount repayable. Contingent liabilities and other financial obligations are valued at the respective volume as of the balance sheet date. For contingent liabilities from guarantees, suretyships and warranty/indemnity contracts, the loan sums actually drawn as of the balance sheet date are disclosed in addition to the guaranteed ceilings. The **other financial obligations** under contracts are measured at their nominal value and disclosed in these notes. The prior-year figures were adjusted accordingly.

Notes to the balance sheet

(amounts in EUR thousand unless stated otherwise)

5 Non-current assets

The breakdown and development of non-current assets in fiscal year 2007, including cost and accumulated amortization, depreciation and write-downs, is shown in the analysis of non-current assets.

6 Intangible assets

The additions to this item relate to the purchase of software (EUR 1.2 million).

7 Property, plant and equipment

EUR 7.5 million was spent on additional property, plant and equipment. Investment focused on infrastructure measures in connection with the new Dräger Medical building (EUR 1.4 million) and the acquisition of the plot of land and the canteen from ACF Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Finkenberg KG, Eschborn, (EUR 3.2 million).

8 Financial assets

The shares in ACF Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Finkenberg KG, Eschborn, were sold in fiscal year 2007. Joint Aero Consultancy Ltd., Beijing, in which Drägerwerk AG & Co. KGaA held a 35 percent share, was liquidated in 2007.

The non-current securities are shares in a restricted fund set up exclusively for Dräger and managed by Commerztrust GmbH as trustee. The securities portfolio was sold and the income this generated, the cash and cash equivalents of the prior year which were subject to special restraints on disposal and the employee contributions from 2007 were paid into this fund. These securities serve to safeguard pension provisions made under the new pension plan and are subject to special restraints on disposal.

9 Major shareholdings of Drägerwerk AG & Co. KGaA

A list of Dräger AG & Co. KGaA's shareholdings is published in the electronic version of the German Federal Gazette ("Bundesanzeiger") under HRB No. 7903 HL. The major shareholdings of Drägerwerk AG & Co. KGaA are listed on page 42 of this report.

10 Receivables and other assets

The movements in receivables from Group companies in 2007 reflect cash management and intercompany service fee clearing.

The most significant increase was in receivables from Dräger Medical Holding GmbH, through which Dräger Medical Holding GmbH financed the acquisition of a 10 percent share in Dräger Medical AG & Co. KG from Siemens on February 28, 2007. As shareholder of Dräger Medical AG & Co. KG, Dräger Medical Holding GmbH now holds a 75 percent share in this company.

Other assets include taxes from tax authorities receivable and miscellaneous non-trade receivables.

In addition, the cap premiums from interest rate hedges are recognized in this item.

RECEIVABLES AND OTHER ASSETS

	2007	2006
Trade receivables	**151**	**52**
thereof due in more than 1 year	0	0
All other receivables and other assets		
Receivables from Group companies	166,946	54,303
thereof due in more than 1 year	0	0
Other assets	4,743	5,129
thereof due in more than 1 year	2,824	3,575
	171,689	**59,432**
Receivables and other assets	**171,840**	**59,484**

11 Securities

The figures disclosed under this item in the prior year which were subject to special restraints on disposal were transformed into shares in a restricted fund in December 2007. Cf. Note 8, “Financial assets”.

12 Cash and cash equivalents

This caption comprises cash on hand and in bank.

This item now only includes remaining balances of insignificant amounts from the new pension plan which are subject to special restraints on disposal. These will be paid into the restricted fund in fiscal year 2008 too.

13 Prepaid expenses

These exclusively comprise transitory items.

14 Capital stock

Drägerwerk AG & Co. KGaA’s capital stock amounts to EUR 32,512,000 and is divided into 6,350,000 limited no-par bearer shares each of common and non-voting preferred shares. Drägerwerk Verwaltungs AG, the general partner, holds no shares in capital.

15 Capital reserve

CAPITAL RESERVE

	€ thousand
Drägerwerk AG & Co. KGaA's capital reserve originated from the share premiums from	
the Company's (trans)formation	2,556
the increases in capital stock of	
March 1979	5,726
June 1981	7,016
July 1991	23,569
Capital reserve	**38,867**

16 Reserves retained from earnings

These reserves were created on the basis of profit appropriation resolutions by the Company and its shareholders.

17 Participation capital

The participation capital from the participation certificates issued and floated up to June 30, 1991 forms part of securities series A, while that created after June 30, 1991 covers securities series K. The terms and conditions underlying the series K participation certificates differ from those for the (series A) certificates outstanding up to June 30, 1991 in that their holders may give five years' notice of termination, however, not to take effect prior to December 31, 2021; the period of termination thereafter is again five years. Therefore, these series K participation certificates represent a securities category of their own.

Since the 1997 annual general meeting, series D participation certificates have been floated; their terms and conditions have been amended in order to qualify as accounting equity, mainly to adapt to the terms defined by the Institute of Public Auditors ("Institut der Wirtschaftsprüfer"), as follows: waiver of minimum yield, loss-sharing concept for participation certificates and adequate cumulative, compensatory terms. Series D participation certificate holders may exercise their calling right every five years with five years' notice as of calendar year-end, however, not to take effect prior to December 31, 2026.

Since December 1, 1999, the par value of participation certificates has amounted to EUR 25.56.

If the participation certificate holder exercises the calling right, the amount repayable shall equal the average mean rate of the last three months at the Hamburg Stock Exchange or a maximum of the weighted average issue price of this tranche.

PARTICIPATION CERTIFICATES

	Number	Par value	Premium	Participation Capital
		€	€	€
As of December 31, 2007 (No new participation certificates were issued in 2007.)	1,413,425	36,127,143,00	38,670,225.37	74,797,368.37
Series A	315,600	8,066,736.00	12,353,585.70	20,420,321.70
Series K	105,205	2,689,039.80	1,758,718.44	4,447,758.24
Series D	992,620	25,371,367.20	24,557,921.23	49,929,288.43

Additionally, reference is made to the explanations in Note 4.

18 Provisions

Other provisions provide for personnel-related risks, mainly for profit shares/incentives, accrued vacation pay and phased retirement, as well as for supplier invoices not yet received, lawsuit costs/risks and various other risks.

PROVISIONS

	2007	2006
Provisions for pensions and similar obligations	73,893	74,339
Tax provisions	6,687	8,687
Other provisions	19,447	26,603
Provisions	**100,027**	**109,629**

19 Liabilities

LIABILITIES

	2007	Thereof due within 1 year	Thereof due after 5 years	2006	Thereof due within 1 year	Thereof due after 5 years
Liabilities to banks	285,592	30,592	100,000	239,374	54,117	55,000
Trade payables	5,874	5,874	0	2,205	2,205	0
Liabilities to Group companies	100,760	100,760	0	101,526	101,526	0
Liabilities to investees	0	0	0	0	0	0
Other liabilities	22,597	22,372	0	13,328	13,207	0
thereof for taxes	719	719	0	1,489	1,489	0
thereof for social security	0	0	0	0	0	0
Liabilities	**414,823**	**159,598**	**100,000**	**356,433**	**171,055**	**55,000**

The liabilities to banks include liabilities of EUR 280 million from note loans due in up to eight years.

Note loans of EUR 100 million due in six, seven and eight years were raised for the acquisition of a 10 percent share in Dräger Medical AG & Co. KG from Siemens, and at the same time a short-term note loan of EUR 35 million was paid as due.

20 Contingent liabilities and other financial obligations

CONTINGENT LIABILITIES

	2007	2006
Contingent liabilities from suretyships and guarantees	4,000	6,500
Contingent liabilities under warranty/indemnity contracts	223,837	223,960
thereof from Group companies	0	0
thereof loan amounts actually drawn	48,019	50,307

The prior-year figures were adjusted.

Drägerwerk AG & Co. KGaA took on an order completion guarantee for an order totaling EUR 29.7 million placed with Dräger Safety AG & Co. KGaA.

Other financial obligations

Rental and lease agreements

As of the balance sheet date, other financial obligations from long-term rental and lease agreements came to around EUR 61.6 million (prior year: EUR 61.2 million), including some EUR 40.7 million in obligations to Group companies (prior year: EUR 40.6 million). The prior-year figures were adjusted.

The annual burden comes to some EUR 5.1 million (prior year: EUR 5.1 million).

Purchase obligations

As part of the sale of the IT companies in fiscal year 2004, Drägerwerk AG (now: Drägerwerk AG & Co. KGaA), Dräger Medical AG & Co. KGaA (now: Dräger Medical AG & Co. KG) and Dräger Safety AG & Co. KGaA agreed with an IT services company to purchase IT services for the entire Dräger Group until February 2009. The nominal value of this obligation amounted to EUR 10.0 million as of December 31, 2007.

Drägerwerk AG & Co. KGaA also has new liabilities totaling EUR 31.2 million to various IT service providers.

This volume is within the usual requirements of the Dräger Group.

Other

The purchasing commitments from initiated capital expenditure projects are within the scope of ordinary day-to-day business.

In connection with the construction of a building for Dräger Medical AG & Co. KG, Drägerwerk AG (now: Drägerwerk AG & Co. KGaA) entered into a rental obligation in respect of Molvina Vermietungsgesellschaft mbH & Co. Objekt Finkenstraße KG under a real estate lease agreement.

As of December 31, 2007, Drägerwerk AG & Co. KGaA was not obligated to pay up any shares.

The joint venture agreement between the participating companies of the Dräger Group and the Siemens Group and the partnership agreement of Dräger Medical AG & Co. KG originally granted Siemens a put option upon whose exercise Dräger would have to buy the entire stake held by Siemens in the limited partnership at a determined formula price. In fiscal year 2006, the agreement was amended to the effect that Dräger is no longer obligated to buy the limited shares. Now, Dräger can either agree to buy the limited shares offered by Siemens at the formula price or else it must support a sale by Siemens to a third party by selling some of its own limited shares if necessary.

21 Legal risks

Drägerwerk AG & Co. KGaA is involved in certain legal actions and claims arising in the ordinary course of business. The Executive Board believes that the outcome of such lawsuits and claims will not have a material adverse effect on the Company’s net assets, financial position or results of operations.

Notes to the income statement

(amounts in EUR thousand unless stated otherwise)

22 Other operating income

This item chiefly covers income from services rendered to Group companies. Otherwise, this item basically includes rental income, income from the reversal of allowances, other valuation reserves and provisions, income from the disposal of non-current assets, and gains from foreign exchange and currency translation, as well as many individual amounts not allocable to other items.

23 Personnel expenses/headcount

PERSONNEL EXPENSES/HEADCOUNT

	2007	2006
Salaries	24,103	14,063
Social security, pension expense and related employee benefits	4,312	3,813
thereof pension expense	2,392	2,353
Personnel expenses	**28,415**	**17,876**
Annual average headcount		
Production operations	0	0
Other operations	194	137
Headcount as of the balance sheet date		
Production operations	0	0
Other operations	246	142

To provide a clearer view of the Company's cost structure, the interest portion of the pension provisions is recognized under interest expense and not under pension expense. Cf. Note 28, “Interest result”.

The increase in personnel expenses is reflected in the development of headcount. In mid-2007, IT and Corporate Communications were pooled in Drägerwerk AG & Co. KGaA (then Drägerwerk AG) to ensure uniform business processes.

In 2007, personnel expenses also include severance payments of EUR 6,403,839 made under severance agreements with members of the Executive Board who left the Company.

24 Amortization of intangible assets and depreciation of property, plant and equipment

AMORTIZATION/DEPRECIATION

	2007	2006
Amortization of intangible assets and depreciation of property, plant and equipment	6,948	5,515

Amortization/depreciation charged in previous years solely for tax purposes improved net profit for fiscal year 2007 by approximately EUR 669.3 thousand (prior year: EUR 533.4 thousand).

25 Other operating expenses

These primarily include administrative expenses, such as rent and lease expenses, insurance premiums, contributions, fees and public levies, travel expenses, provisions for accrued liabilities, losses from foreign exchange and currency translation, as well as from the disposal of non-current assets. In addition, they cover many individual items not allocable elsewhere.

26 Income from investments

INCOME FROM INVESTMENTS

	2007	2006
Income from investments	213	137
thereof from Group companies	15	0
Income from P&L transfer agreements – Group companies	72,405	55,119
Expenses from loss absorption – Group companies	0	0
Intragroup tax allocation	10,270	14,963
Income from investments	**82,888**	**70,219**

The intragroup tax allocation is calculated based on the taxable income of each company.

The corporate income tax for the limited shares in Dräger Medical AG & Co. KG was recharged by Drägerwerk AG & Co. KGaA to Dräger Medical Holding GmbH, the limited partner of Dräger Medical AG & Co. KG. The amount of tax payable is based on the taxable profit of Dräger Medical AG & Co. KG and not on the dividend distribution contained in the income from P&L transfer agreements.

27 Write-downs on financial assets and current securities

No write-downs on financial assets (2006: EUR 874 thousand) or write-downs on securities (2006: EUR 11 thousand) were charged in 2007.

28 Interest result

INTEREST RESULT

	2007	2006
Income from other non-current securities and loans	93	84
thereof from Group companies	93	84
Other interest and similar income	9,171	4,446
thereof from Group companies	5,916	1,352
Interest and similar expenses	(19,243)	(14,639)
thereof to Group companies	(3,830)	(2,506)
Interest expense from pension provisions	(4,191)	(4,227)
Interest result	**(14,170)**	**(14,336)**

To provide a clearer view of the Company's cost structure, the interest portion of the pension provisions is recognized under interest expense and not under pension expense.

29 Derivative financial instruments

Derivatives are used to hedge against currency and interest rate risks, particularly currency forwards, futures and options, as well as interest rate hedges (caps). Such contracts are only transacted with banks of prime standing and confined to hedging finance transactions. The volume of currency futures and forwards substantially includes exchange rate hedges on behalf of subsidiaries for operations-related underlying transactions. At Drägerwerk AG & Co. KGaA, these exclusively involve closed positions. Interest rate hedges comprise caps and swaps. The determination of the fair values is based on a mark-to-market valuation as of the balance sheet date.

The caps have maturities up to 2012 and a residual carrying amount of EUR 1,176 thousand (after write-downs) and are contained in other assets. Other provisions include obligations from currency forwards totaling EUR 68 thousand.

In fiscal year 2007, income of EUR 120 thousand was recognized from interest rate swaps (2006: EUR 4 thousand) and no loss was recognized (2006: EUR 6 thousand).

DERIVATIVE FINANCIAL INSTRUMENTS

	Nominal amount	Term	Fair value	Carrying amount
	€ thousand	years	€ thousand	€ thousand
Interest rate hedges	125,000	up to 5	2,091	1,176
Interest rate hedges	0	more than 5	0	0
Currency forwards and futures	0	up to 1	0	0

30 Remuneration report

The Company still compiles a remuneration report following the change in legal form. Executive Board remuneration refers to remuneration of members of the Executive Board of Drägerwerk AG up to the date the change in legal form took effect. After that date, it refers to remuneration of members of the Executive Board of Drägerwerk Verwaltungs AG. Supervisory Board remuneration is the remuneration of the members of the Supervisory Board of Drägerwerk AG & Co. KGaA. The remuneration report also includes information on the shares owned by the members of the Executive and Supervisory Boards as defined above.

Based on the resolution adopted at the annual general meeting of Drägerwerk AG on June 2, 2006, the remuneration of individual members of the Executive Board is not disclosed, with the exception of the Chairman. The remuneration report provides this information accordingly. Supervisory Board remuneration is the remuneration of the members of the Supervisory Board of Drägerwerk AG & Co. KGaA and is stated for the Supervisory Board in total.

31 Executive Board remuneration

Until the change in legal form took effect, the Executive Committee of the Supervisory Board of Drägerwerk AG was responsible for determining the remuneration of the Executive Board. Since then, this task has been performed by the Supervisory Board of Drägerwerk Verwaltungs AG for the members of the Executive Board of the general partner. As far as legally possible, the Executive Board members' employment contracts originally concluded with Drägerwerk AG have been transferred to Drägerwerk Verwaltungs AG by means of separate agreements.

Obligations from the pension plan remain at Drägerwerk AG & Co. KGaA.

Remuneration is based on the size and the global activities of the Company, its economic and financial position, and on the amount of remuneration paid by peer group companies. The duties of the respective Executive Board member are also taken into consideration. When determining remuneration, there is the option of granting a special performance-related bonus, which forms part of the variable remuneration.

Defined benefit plans for members of the Executive Boards are agreed individually.

The remuneration of Executive Board members consists of fixed and variable components. The variable component of the remuneration of the Executive Board members is pegged to the Group's net profit, yet if they concurrently chair a subgroup executive board, their remuneration is mainly pegged to the respective subgroup's earnings and only to a minor degree to the Group's net profit. In addition, certain Executive Board member's contracts provide for the payment of an annual discretionary bonus. There are no long-term incentive components of remuneration.

The fixed remuneration is paid monthly as a salary.

Executive Board remuneration amounts to

EXECUTIVE BOARD REMUNERATION (EUR)

	2007				2006			
	Fixed	Variable	Other	Total	Fixed	Variable	Other	Total
Executive Board (total)	1,317,523	2,825,850	4,594,459	8,737,832	1,260,128	3,611,699	76,836	4,948,663
thereof: Executive Board Chairman	406,977	1,453,700	6,880	1,867,557	300,533	1,628,006	9,881	1,938,420

Fringe benefits awarded to members of the Executive Board encompass private use of the company car they are each provided with and payment of accident insurance, health insurance and pension insurance premiums.

The defined benefits under the pension plans offered to the members of the Executive Board are either fixed or based on the basic annual salary and years of service on the Executive Board. The defined benefit offered to Mr. Stefan Dräger is based on an annual contribution of 15 percent of his basic annual salary. Under the deferred compensation option, an additional annual contribution of up to 20 percent of the basic annual salary can be made, upon which the Company then pays a further contribution of 50 percent, but no more than 8 percent of the basic annual salary. This top-up payment is only made if consolidated EBIT equals 8 percent or more of revenues.

EUR 1,661,811 in pension provisions for Executive Board members was accrued in the financial statements for fiscal year 2007 (2006: EUR 1,816,787), EUR 267,706 of which for the Chairman of the Executive Board (2006: EUR 192,885.00).

In fiscal year 2007, EUR 229 thousand (2006: 317 thousand) was allocated to the pension provisions for members of the Executive Board.

The Company pays the premium for the D&O liability insurance policy and legal expense insurance policy for economic loss claims for members of the Executive Board. In the opinion of the German tax authorities, this does not constitute part of the Executive Board's remuneration.

In the event of termination of service as member of the Executive Board, no further payments shall be made; the underlying contracts do not provide for any severance entitlements. However, a severance payment may be agreed under an individual severance agreement.

EUR 5,762,929.44 was paid to former members of the Executive Board and their surviving dependants (2006: EUR 2,675,448.62). A total EUR 28,468,025 provides for the pension obligations to former Executive Board members and their surviving dependants (2006: EUR 28,066,650).

In fiscal year 2007, severance payments of EUR 6,403,838.92 were defined in severance agreements, which is in part included in other remuneration of the Executive Board and in part in the remuneration of former members of the Executive Board.

In the fiscal year, no payments were made or promised by a third party to any member of the Executive Board in relation to his duties as member of the Executive Board.

If Executive Board remuneration is paid by Drägerwerk Verwaltungs AG, pursuant to Art. 11 (1) of the Company's articles of association it is entitled to claim reimbursement from the Company monthly. Pursuant to Art. 11 (4) of the Company's articles of association, for the management of the Company and the assumption of personal liability the general partner receives a fee, independent of profit and loss, of 6 percent of the equity disclosed in its financial statements plus any VAT incurred (2007: EUR 60 thousand), payable one week after the general partner prepares its financial statements.

32 Supervisory Board remuneration

At the annual general meeting of Drägerwerk AG & Co. KGaA on May 9, 2008, a proposal awarding the Supervisory Board total remuneration of EUR 509,500.00 (2006: EUR 499,118.00) will be put to vote. Each member of the Supervisory Board will receive basic remuneration of EUR 27,400.00 (2006: EUR 27,400.00) comprising a fixed amount of EUR 10,000.00 (2006: EUR 10,000.00) and a dividend-based amount of EUR 17,400.00 (2006: EUR 17,400.00), the latter being the product of EUR 600 for each EUR 0.01 above a preferred dividend of EUR 0.26, on the basis of a dividend of EUR 0.55 per preferred share as proposed for the year under review.

According to Art. 21(1) of Drägerwerk AG & Co. KGaA's articles of association, the Supervisory Board shall decide on how the total remuneration is distributed among the members of the Supervisory Board. To date, the Supervisory Board has adopted the following principles for distribution:

Its chairman is entitled to 4 times, any vice-chairman 2 times, the other members of the Executive Committee 1.5 times the set amount. The members of the Audit Committee receive an additional EUR 5,000.00, and the chairman of the Audit Committee an additional EUR 10,000.00. Moreover, a total per diem of EUR 3,420.00 (2006: EUR 3,360.00) is paid.

In the opinion of the German tax authorities, the premium for a D&O liability insurance policy and a legal expense insurance policy for economic loss claims is not part of the Supervisory Board's remuneration.

In addition, a legal consulting fee of EUR 93,725.00 (2006: EUR 59,662.50) was paid to the law firm Feddersen Heuer & Partner in the year under review. These amounts do not include VAT. An agreement with Mr. Theo Dräger was concluded allowing him to represent the Company in Germany and abroad. His services under this agreement are not remunerated; however, he shall be reimbursed for any out-of-pocket expenses and provided with secretarial services and transportation.

Certain Supervisory Board members received an additional aggregate EUR 177,600.00 (2006: EUR 173,400.00) for their membership on supervisory boards of subsidiaries.

33 Shares owned by the Executive and Supervisory Boards

As of December 31, 2007, the members of the Executive Board of Drägerwerk AG & Co. KGaA and their related parties directly or indirectly held 6,000 preferred shares, equivalent to 0.05 percent of the total, and the members of the Supervisory Board and their related parties a total of 27,762 preferred shares, equivalent to 0.22 percent of the total.

Altogether, 97.87 percent of Drägerwerk AG & Co. KGaA's limited common shares is held via Dr. Heinrich Dräger GmbH and the same percentage of voting rights is attributable to Executive Board member Stefan Dräger under the terms of Sec. 22 (1) Sentence 1 No. 1 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act).

34 Directors' dealings

In fiscal year 2007, members of the Executive and Supervisory Boards did not sell any preferred shares (ISIN DE0005550636) from their own portfolio or a private portfolio attributable to them.

35 The Company's Boards

The Company's Supervisory and Executive Board members are listed under "The Company's Boards" on pages 40 and 41.

Other disclosures

36 Publications regarding significant voting rights in accordance with Sec. 25 WpHG

Drägerwerk AG & Co. KGaA has not published any reports on significant voting rights in the last twelve months.

37 Auditor's fee

The fee of EUR 497 thousand (2006: EUR 289 thousand) incurred in fiscal year 2007 for the single entity financial statements of Drägerwerk AG & Co. KGaA and the Group financial statements related exclusively to audits. In 2007, the amount also includes the fee for the audit of the stock exchange prospectus for the transformation of Drägerwerk AG into Drägerwerk AG & Co. KGaA.

38 Distribution for participation capital

For the reasons explained in Note 4, dividends for participation certificates may not be distributed from net earnings. Consequently, within the income statement, we show after taxes and before net income/profit the dividends for participation certificates in a separate line headed, "Distribution for participation capital." Therefore, the participation capital dividend is determined above the line and thus reduces our net profit (or increases our net loss). The claim to annual dividends under the terms of Art. 2 (1) of the participation certificate covenants corresponds to 10 times the cash dividend for the Company's preferred shares, hence EUR 5.50.

39 Proposed appropriation of net earnings

Net earnings for fiscal year 2007 amount to EUR 78,116,029.53. This item contains profit brought forward from the prior year of EUR 45,998,494.97. Drägerwerk Verwaltungs AG, general partner of Drägerwerk AG & Co. KGaA, will propose to the annual general meeting to distribute these net earnings as follows:

PROPOSED APPROPRIATION OF NET EARNINGS

	€
€0.49 cash dividend for 6,350,000 common shares	3,111,500.00
€0.55 cash dividend for 6,350,000 preferred shares	3,492,500.00

We further propose that the remaining net earnings for fiscal year 2007 of EUR 71,512,029.53 be carried forward.

Lübeck, Germany, February 12, 2008

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Albert Jugel
Hans-Oskar Sulzer
Ulrich Thibaut

Management compliance statement

We confirm to the best of our knowledge that, in accordance with the principles of proper accounting standards applied, the single entity financial statements give a true and fair view of the net assets, financial position and results of operations of the Company, the management report presents business performance including business results and the situation of the Company so as to give a true and fair view, and that the significant opportunities and risks relating to the Company's development in the remainder of the fiscal year have been described.

Lübeck, Germany, February 12, 2008

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Albert Jugel
Hans-Oskar Sulzer
Ulrich Thibaut

Auditor's opinion

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Drägerwerk AG & Co. KGaA (formerly Drägerwerk AG) for the fiscal year from January 1 to December 31, 2007. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the bylaws are the responsibility of the Company's management. Our responsibility is to express an opinion on the single entity financial statements, together with the bookkeeping system, and management report based on our audit.

We conducted our audit of the annual financial statements in accordance with the provisions of Sec. 317 HGB ("Handelsgesetzbuch": German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the bylaws and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks relating to future development.

Hamburg, Germany, February 13, 2007

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dyckerhoff	Dr. Probst
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

The Company's Boards

Supervisory Board of Drägerwerk AG & Co. KGaA

Chairman

Prof. Dr. Dieter Feddersen

Lawyer at Feddersen Heuer & Partner, Kronberg

Supervisory board membership:
Membership on statutory supervisory boards:
- ASKLEPIOS Kliniken Verwaltungsgesellschaft mbH, Königstein (Chairman)
- ASKLEPIOS Kliniken Hamburg GmbH, Hamburg (formerly LBK Hamburg GmbH, Hamburg) (Chairman)
- Drägerwerk Verwaltungs AG, Lübeck (Chairman), since March 23, 2007
- Dräger Medical Verwaltungs AG, Lübeck
- Dräger Safety AG & Co. KGaA, Lübeck

Vice-Chairman

Siegfrid Kasang

Works Council Chairman of Dräger Medical AG & Co. KG, Lübeck
Group Works Council Chairman of Dräger Medical
Group Works Council Chairman of Drägerwerk AG & Co. KGaA, Lübeck

Supervisory board membership:
- Dräger Medical Verwaltungs AG, Lübeck (Vice-Chairman)

Additional Vice-Chairman:

Theo Dräger

Former Executive Board Chairman of Drägerwerk AG, Lübeck

Supervisory board membership:
- Drägerwerk Verwaltungs AG, Lübeck (Vice-Chairman), since March 23, 2007
- Dräger Medical Verwaltungs AG, Lübeck (Chairman), until December 31, 2007
- Dräger Safety AG & Co. KGaA, Lübeck
- Dräger Safety Verwaltungs AG, Lübeck
- Dr. Jens Ehrhardt Kapital AG, Pullach
- L. Possehl & Co. mbH, Lübeck
- Sparkasse zu Lübeck AG, Lübeck

Daniel Friedrich

District secretary of the metalworkers' union IG Metall Küste, Hamburg

Dr. Thomas Lindner

Management Chairman of Groz-Beckert KG, Albstadt

Supervisory board membership:
- Drägerwerk Verwaltungs AG, Lübeck, since March 23, 2007
- HDI Haftpflichtverband der Deutschen Industrie VAG, Hanover
- Talanx AG, Hanover

Bernd Mussmann

Works Council Vice-Chairman and Group Works Council Vice-Chairman of Dräger Safety AG & Co. KGaA, Lübeck

Supervisory board membership:
- Dräger Safety AG & Co. KGaA, Lübeck

Walter Neundorf

Officer of Dräger Medical AG & Co. KG, Lübeck

Regina Pawils

Works Council Vice-Chairperson of Dräger Medical AG & Co. KG, Lübeck

Supervisory board membership:
- Dräger Medical Verwaltungs AG, Lübeck

Dr. Martin Posth

Business consultant

Supervisory board membership:
- Berlinwasser International AG, Berlin, until December 31, 2007
- Demag Cranes AG, Düsseldorf
- Drägerwerk Verwaltungs AG, Lübeck, since March 23, 2007

Membership on comparable foreign boards:
- Deininger Management Consulting (Shanghai) Co. Ltd., Shanghai (Chairman of the Board of Directors), since July 1, 2007
- Iberia Motor Company S. A., Piastów, Poland (Vice Chairman of the Board of Directors), since October 1, 2007
- MSM Mandarin Strategic Management Consulting GmbH, Düsseldorf/Beijing (Chairman of the Global Advisory Council)

Thomas Rickers

1st Delegate of the metalworkers' union IG Metall Lübeck/Wismar, Lübeck

Supervisory board membership:
- Aker MTW Werft GmbH, Wismar
- Dräger Medical Verwaltungs AG, Lübeck
- Minimax Management GmbH, Bad Oldesloe

Gordon Riske

Executive Board Chairman of Linde Material Holding GmbH, Aschaffenburg, since October 1, 2007

Supervisory board membership:
- Drägerwerk Verwaltungs AG, Lübeck, since March 23, 2007
- ISRA Vision Systems AG, Darmstadt

Dr. Dietrich Schulz

Former CEO of L. Possehl & Co. mbH, Lübeck

Supervisory board membership:
- Süd-Chemie AG, Munich (Chairman)
- Ad Capital AG, Stuttgart
- Drägerwerk Verwaltungs AG, Lübeck, since March 23, 2007

Membership on comparable foreign boards:
- Possehl México, S. A. de C. V., Mexico City (Chairman of the Board)
- ACC Resources, New Jersey, USA

Members of the Executive Committee:

All until December 14, 2007
Prof. Dr. Dieter Feddersen (Chairman)
Siegfrid Kasang (Vice-Chairman)
Theo Dräger
Thomas Rickers
Since December 14, 2007, duties performed jointly by members of the Supervisory Board of Drägerwerk Verwaltungs AG

Members of the Audit Committee:

Dr. Dietrich Schulz (Chairman)
Theo Dräger
Prof. Dr. Dieter Feddersen
Walter Neundorf
Regina Pawils

Members of the Nomination Committee:

All since September 26, 2007
Prof. Dr. Dieter Feddersen
Theo Dräger

Members of the Joint Committee:

All since December 19, 2007
Representatives of Drägerwerk Verwaltungs AG:
Prof. Dr. Dieter Feddersen (Chairman)
Theo Dräger
Dr. Thomas Lindner
Gordon Riske
Representatives of Drägerwerk AG & Co. KGaA:
Dr. Dietrich Schulz
Dr. Martin Posth
Siegfrid Kasang
Thomas Rickers

Members of the Executive Board of Drägerwerk Verwaltungs AG, acting for Drägerwerk AG & Co. KGaA

Stefan Dräger

Chairman of the Executive Board
CEO Medical, until August 31, 2007 and since January 1, 2008

Chairman of the Executive Board of Drägerwerk Verwaltungs AG, Lübeck, (general partner of Drägerwerk AG & Co. KGaA), since March 23, 2007
Chairman of the Executive Board of Dräger Medical Verwaltungs AG, Lübeck (general partner of Dräger Medical AG & Co. KG) until August 31, 2007 and since January 1, 2008

Supervisory board membership:
- Dräger Medical Verwaltungs AG, Lübeck, from September 1 to December 31, 2007
- Dräger Medical Deutschland GmbH, Lübeck (Chairman)
- Dräger Safety AG & Co. KGaA, Lübeck (Chairman)
- Dräger Safety Verwaltungs AG, Lübeck (Chairman)

Prof. Dr. Albert Jugel

CEO Safety
CEO of Dräger Safety Verwaltungs AG, Lübeck (general partner of Dräger Safety AG & Co. KGaA)
Member of the Executive Board of Drägerwerk Verwaltungs AG, Lübeck, (general partner of Drägerwerk AG & Co. KGaA), since March 23, 2007

Supervisory board membership:
- GEHE Pharma Handel GmbH, Stuttgart

Dr. Volker Pfahlert

from September 1 to December 31, 2007
CEO Medical
Chairman of the Executive Board of Dräger Medical Verwaltungs AG, Lübeck (general partner of Dräger Medical AG & Co. KG)
Member of the Executive Board of Drägerwerk Verwaltungs AG, Lübeck, (general partner of Drägerwerk AG & Co. KGaA), since September 26, 2007

Hans-Oskar Sulzer

Finance (CFO)
Member of the Executive Board of Drägerwerk Verwaltungs AG, Lübeck, (general partner of Drägerwerk AG & Co. KGaA), since March 23, 2007

Supervisory board membership:
- Dräger Medical Verwaltungs AG, Lübeck, until September 1, 2007 and since January 1, 2008
- Dräger Safety AG & Co. KGaA, Lübeck
- Dräger Safety Verwaltungs AG, Lübeck

Dr. Ulrich Thibaut

since June 18, 2007
Research and development
Member of the Executive Board of Drägerwerk Verwaltungs AG, Lübeck, (general partner of Drägerwerk AG & Co. KGaA), since September 26, 2007

Major shareholdings of Drägerwerk AG & Co. KGaA

MAJOR SHAREHOLDINGS

	Name and registered office	Capital stock in LCU thousand		Shareholding in %
Germany	Dräger Safety AG & Co. KGaA, Lübeck	25,739	EUR	100
	Dräger Medical Holding GmbH, Lübeck	100	EUR	100
	Dräger Electronics GmbH, Lübeck	2,000	EUR	100
	Dräger Medizin System Technik GmbH, Lübeck	1,023	EUR	100
	Dräger Safety Verwaltungs AG, Lübeck	1,000	EUR	100
	Dräger Immobilien GmbH, Lübeck	250	EUR	100
	FIMMUS Grundstücks-Vermietungs GmbH, Lübeck	25	EUR	100
	MOLVINA Vermietungsgesellschaft mbH & Co. Objekt Finkenstraße KG, Lübeck	5	EUR	100
	MAPRA Assekuranzkontor GmbH, Lübeck	51	EUR	49
Europe				
Netherlands	Dräger Beheer B.V., Zoetermeer	454	EUR	100
	Dräger Finance B.V., Zoetermeer	11	EUR	100
UK	Draeger Medical UK Limited, Hemel Hempstead	4,296	GBP	30
Switzerland	Dräger Finanz AG, Zug	500	CHF	100
Americas				
Brazil	Dräger do Brasil Ltda., São Paulo	27,021	BRL	100

Forward-looking statements

This report contains statements and forecasts referring to the future development of Drägerwerk AG & Co. KGaA and its companies, as well as economic and political trends. These statements are estimates based on all information available to date. If the underlying assumptions do not materialize, or if further risks surface, actual results may differ from current expectations. We therefore do not give any warranty for such statements and estimates.

Drägerwerk AG & Co. KGaA
Moislinger Allee 53 – 55
23542 Lübeck, Germany
www.draeger.com

Corporate Communications
Tel +49 451 882 - 2185
Fax +49 451 882 - 3944

Investor Relations
Tel +49 451 882 - 2685
Fax +49 451 882 - 3296

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