Dräger

Dräger Group
Q1/2006 report

Q1

Contents

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

Further increase in order intake and revenues

Both order intake and revenues reached record levels in the first quarter of 2006. Order intake rose by 15.2 percent to EUR 452.2 million (Q1/2005: EUR 392.5 million). This is more than one quarter of the revenues budgeted for the year. Revenues climbed by 12.9 percent to EUR 385.3 million (Q1/2005: EUR 341.4 million); a further improvement in the spread of revenues over the four quarters may therefore be expected. The two subgroups Dräger Medical and Dräger Safety contributed equally to the Group's strong performance. This performance was enhanced by the change in exchange rates, which contributed around three percent to the rise in order intake and revenues. Double-digit growth was recorded in all regions other than Germany, where revenues increased by a mere 2.1 percent. Europe excluding Germany grew 14.7 percent to EUR 158.1 million, revenues in the Americas climbed 12.6 percent to EUR 76.9 million, and Asia/Pacific recorded a rise of 17.9 percent to EUR 47.4 million.

Germany saw a renewed increase in order intake. The regional spread shows that, in the first quarter of the current fiscal year, we are able to almost compensate for a project contract from the Americas in the first quarter of the prior year. On the other hand, another project in Europe this fiscal year also contributed to growth in the rest of Europe and the Group as a whole.

Increase in results on target

EBIT (before non-recurring expenses) increased 13.9 percent, up from EUR 18.0 million in the prior-year quarter to EUR 20.5 million. The gross margin remained almost unchanged at 49.6 percent (Q1/2005: 49.9 percent), and functional costs developed as planned. The research and development costs included in this figure came to EUR 28.4 million or 7.4 percent of revenues for the quarter. The interest result was mainly affected by the high financial debt.

The tax expense decreased against the prior-year period due to the change in legal form of Dräger Medical. Overall, earnings after taxes in the first quarter rose 51.0 percent to EUR 7.4 million.

Net assets and financial position

Thanks to the profit for the first quarter, the equity of the Dräger Group has risen slightly despite the negative effect of currency translation differences to the tune of EUR 3.4 million. At EUR 505.5 million, the equity ratio is 33.3 percent (December 31, 2005: 32.7 percent). However, payments for dividends and the share in net profit of minority shareholders for the prior year have yet to be made from equity.

The balance sheet total of the Dräger Group dropped slightly in the first quarter, down EUR 20.4 million to EUR 1,515.8 million, due to the decrease in trade receivables coupled with a slight rise in inventories. On the liabilities side, trade payables decreased in particular. With a note loan due to mature in the first quarter of 2007, non-current financial liabilities were reclassified to current financial liabilities repayable within one year. However, net financial debt was still covered by non-current financial liabilities including participation capital in the first quarter of 2006.

Business performance of the Dräger Group

		Q1/2006	Q1/2005
Total order intake	**€ million**	**452.2**	**392.5**
Germany	€ million	96.4	84.0
Rest of Europe	€ million	194.9	156.3
Americas	€ million	84.6	88.5
Asia/Pacific	€ million	48.9	44.8
Other	€ million	27.4	18.9
Total revenues	**€ million**	**385.3**	**341.4**
Germany	€ million	78.0	76.4
Rest of Europe	€ million	158.1	137.8
Americas	€ million	76.9	68.3
Asia/Pacific	€ million	47.4	40.2
Other	€ million	24.9	18.7
EBITDA [1]	**€ million**	**32.7**	**28.8**
Depreciation/amortization	€ million	12.2	10.8
EBIT [2] **before non-recurring expenses**	**€ million**	**20.5**	**18.0**
Non-recurring expenses	€ million	0.0	0.0
EBIT [2]	**€ million**	**20.5**	**18.0**
Net profit	**€ million**	**7.4**	**4.9**
Cash flow from operating activities	**€ million**	**1.5**	**(4.9)**
Net financial debt	**€ million**	**255.7**	**221.0**
Investments	**€ million**	**11.2**	**9.2**
Capital employed [3]	**€ million**	**889.4**	**807.8**
Net working capital [4]	**€ million**	**512.6**	**437.5**
EBIT before non-recurring expenses/revenues	**%**	**5.3**	**5.3**
EBIT before non-recurring expenses/capital employed	**%**	**2.3**	**2.2**
Gearing [5]	**Factor**	**0.5**	**0.5**
Headcount as of March 31			
Germany		4,363	4,360
Abroad		5,398	5,311
Total headcount		**9,761**	**9,671**

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

Business performance of Dräger Medical

- Double-digit order intake and revenue growth continues
- Growth significantly higher than market in a challenging competitive environment

Another strong first quarter

Dräger Medical closed the first three months with EBIT (before non-recurring expenses) of EUR 12.9 million. Compared to the prior year, this corresponds to an increase of 8.4 percent (Q1/2005: EUR 11.9 million). No non-recurring expenses were incurred in either of the two quarters. At 5.0 percent, the EBIT margin was slightly lower than in the same prior-year period (2005: 5.3 percent). Revenues climbed 14.1 percent to EUR 258.2 million (Q1/2005: EUR 226.2 million). Order intake rose by 15.2 percent from EUR 263.8 million in 2005 to the current EUR 303.8 million.

Following what was already a very strong first quarter in 2005, the subgroup has again succeeded in significantly increasing its revenues and order intake – at a much higher rate than the estimated global market growth in the acute point of care ("APOC") sector including home respiration, which is at two to three percent at present. The reasons for this growth include the further expansion of the global sales structure and the ongoing drive to improve internal processes as well as the attractive product portfolio. Process improvements have, for instance, made internal sales workflows much simpler. Sales staff now have more time for customers, which increases customer loyalty.

Growth across all regions

As in the comparative period, Europe excluding Germany achieved the greatest increase in order intake of all the regions, recording 28.8 percent growth to EUR 129.4 million. Revenues in the region climbed 21.0 percent to EUR 100.4 million. Project business accounts for some of this growth, including projects in France, the Benelux countries and Hungary. In the first quarter, the Hungarian Ministry of Health decided to give priority to the use of Dräger Medical solutions in some 140 hospitals: it commissioned the subgroup to supply ventilators for emergency medicine and intensive care, anesthesia equipment and patient monitoring solutions. The machines will be installed in Hungary in the course of the year.

Order intake in Germany is up 5.4 percent on the weak prior-year quarter; revenues are down 3.0 percent on the first quarter of 2005. This is mainly a reflection of the shrinking domestic market. There continued to be an investment backlog in German hospitals coupled with uncertainties due to the prolonged political wrangling over the country's healthcare system and further mergers between German hospitals. Despite tough competition and challenging market conditions, the subgroup was able to defend its market position in Germany and keep unit sales at a constant level.

Business performance of Dräger Medical		Q1/2006	Q1/2005
Total order intake	**€ million**	**303.8**	**263.8**
Germany	€ million	60.3	57.2
Rest of Europe	€ million	129.4	100.5
Americas	€ million	63.4	66.0
Asia/Pacific	€ million	29.9	25.9
Other	€ million	20.8	14.2
Total revenues	**€ million**	**258.2**	**226.2**
Germany	€ million	51.6	53.2
Rest of Europe	€ million	100.4	83.0
Americas	€ million	54.9	48.5
Asia/Pacific	€ million	31.9	27.3
Other	€ million	19.4	14.2
EBITDA [1]	**€ million**	**18.8**	**17.2**
Depreciation/amortization	€ million	5.9	5.3
EBIT [2] **before non-recurring expenses**	**€ million**	**12.9**	**11.9**
Non-recurring expenses	€ million	0.0	0.0
EBIT [2]	**€ million**	**12.9**	**11.9**
Net profit	**€ million**	**7.5**	**6.9**
Cash flow from operating activities	**€ million**	**5.5**	**13.6**
Net financial debt	**€ million**	**(97.3)**	**(138.1)**
Investments	**€ million**	**7.6**	**4.2**
Capital employed [3]	**€ million**	**635.2**	**564.9**
Net working capital [4]	**€ million**	**412.4**	**343.8**
EBIT before non-recurring expenses/revenues	**%**	**5.0**	**5.3**
EBIT before non-recurring expenses/capital employed	**%**	**2.0**	**2.1**
Gearing [5]	**Factor**	**(0.1)**	**(0.2)**
Headcount as of March 31			
Germany		2,445	2,420
Abroad		3,461	3,399
Total headcount		**5,906**	**5,819**

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

In Asia/Pacific, the subgroup’s revenues grew 16.8 percent to EUR 31.9 million (2005: EUR 27.3 million), much faster than the market. In the Americas, Dräger Medical again recorded double-digit revenue growth (up 13.2 percent to EUR 54.9 million), with the project volume much lower than in the prior-year period and unusually high positive exchange rate effects (11 percent). Net of currency effects, 8.7 percent growth was reported in the US.

To further improve internal workflows, the relocation of Perinatal Care from Hatboro to Telford in the US was completed successfully at the end of January 2006. The subgroup’s buildings in Hatboro will be sold this year.

Investment in the future continues

The progress made by the innovation campaign is evidenced by renewed high research and development expenditure of EUR 21.0 million, which corresponds to 8.1 percent of revenues. On the occasion of an international symposium on intensive care and emergency medicine in Brussels, Belgium, Dräger Medical unveiled a number of new products: the Evita 4 *edition* ventilator allows both conventional and non-invasive ventilation. Timely use of non-invasive ventilation minimizes the risk of infection. A disposable tubing system was also presented. This product allows the most efficient use of Dräger Medical's ventilation and anesthesia equipment. Another highlight was the new range of ventilators: Carina and Carina *home*. These products allow ventilation treatment started on the Carina ventilator in the hospital to be continued on the Carina *home* system once the patient has been discharged. The Stella operating room lamp was awarded the “iF product design award” for innovative product design. This prize is awarded annually by Industrieforum Design Hannover in one of the world’s most prestigious design competitions.

Successful player in a challenging market and competitive environment

Market success in the first quarter was driven by the excellent performance of monitoring business across all regions. Strong demand for patient monitoring solutions, specifically CareArea™ solutions, was the key to business success. As a result, the subgroup further increased its overall share of the monitoring business.

Competition continued to be tough with ongoing pressure on prices. Dräger Medical rose to this challenge by continuously improving its cost structures and internal processes. The positive business performance in the first three months of 2006 shows that the company has held its position well, despite the ever-worsening business environment.

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Business performance of Dräger Safety

- Growth across all regions
- High increase in EBIT (before non-recurring expenses)

Dräger Safety recorded EBIT of EUR 10.9 million in the first quarter of 2006. Comparable EBIT for the first quarter of 2005 came to EUR 9 million (EUR 11.1 million minus an extraordinary profit of EUR 2.1 million from the intragroup transfer of a subsidiary of Dräger Interservices GmbH). Thus the subgroup improved (comparable) EBIT by 21.1 percent on the prior year. The EBIT margin in the first quarter of 2006 was 8.1 percent vs. the comparable figure of 7.3 percent for the prior-year period.

Dräger Safety's global revenues rose year on year by 9.5 percent (7.1 percent net of currency effects) to EUR 134.9 million in the first three months of 2006 (Q1/2005: EUR 123.2 million). This growth was again achieved through core business, but also on the back of projects in all product divisions.

At EUR 156.4 million, order intake was up 14.7 percent (net of currency effects 12.4 percent) on the prior-year period (EUR 136.4 million).

Growth across all regions

In terms of core business, all regions contributed to the growth of the subgroup in the first three months of 2006.

In Germany, a pleasing increase of 9.6 percent in revenues was achieved, a result of the subgroup's strong market position in the country.

In Europe – excluding Germany – Dräger Safety improved its business performance and reconfirmed its market share. Revenues increased by a total of 5.3 percent.

Great demand for the subgroup's respiratory protection and gas detection equipment by fire departments and industry as well as for breathalyzers were the driving force behind the positive performance in Europe overall. The private Danish fire fighting organization Falk purchased Dräger respiratory protection equipment. The subgroup received further orders from Sweden and Belgium for the supply of breathalyzers. Contract work for Safety Solutions included the planning, design and delivery of stationary and mobile fire and respiratory protection training galleries for fire departments in Germany, France and Spain.

Business in the Americas continued to do well, with revenues net of currency effects growing by 1.4 percent. Orders for the supply of the new personal single-gas detection devices Dräger Pac 1000, 3000 and 5000 and new fire training galleries contributed to this growth. Apart from fire departments, companies from the energy industry also showed a strong interest in the latest portable gas detection systems.

Business performance of Dräger Safety		Q1/2006	Q1/2005
Total order intake	**€ million**	**156.4**	**136.4**
Germany	€ million	44.1	34.5
Rest of Europe	€ million	65.5	55.8
Americas	€ million	21.2	22.5
Asia/Pacific	€ million	19.0	18.9
Other	€ million	6.6	4.7
Total revenues	**€ million**	**134.9**	**123.2**
Germany	€ million	34.2	31.2
Rest of Europe	€ million	57.7	54.8
Americas	€ million	22.0	19.8
Asia/Pacific	€ million	15.5	12.9
Other	€ million	5.5	4.5
EBITDA [1]	**€ million**	**15.2**	**14.7**
Depreciation/amortization	€ million	4.3	3.6
EBIT [2] **before non-recurring expenses**	**€ million**	**10.9**	**11.1**
Non-recurring expenses	€ million	0.0	0.0
EBIT [2]	**€ million**	**10.9**	**11.1**
Net profit before profit/loss transfer	**€ million**	**7.2**	**7.4**
Cash flow from operating activities	**€ million**	**0.1**	**4.2**
Net financial debt	**€ million**	**39.2**	**22.8**
Investments	**€ million**	**4.8**	**4.4**
Capital employed [3]	**€ million**	**201.1**	**169.8**
Net working capital [4]	**€ million**	**127.8**	**106.9**
EBIT before non-recurring expenses/revenues	**%**	**8.1**	**9.0**
EBIT before non-recurring expenses/capital employed	**%**	**5.4**	**6.5**
Gearing [5]	**Factor**	**0.3**	**0.2**
Headcount as of March 31			
Germany		**1,713**	**1,715**
Abroad		1,932	1,906
Total headcount		**3,645**	**3,621**

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Revenues in the Asia/Pacific region were 13.1 percent up on the prior year, net of currency effects. In terms of core business, Dräger Safety extended its market position in this region, despite price pressure. Additional orders from the petrochemicals industry in Indonesia and the Chinese oil and gas sector for the supply of stationary gas detection systems for research and production facilities underpin the positive performance of business in this region. The Vietnamese police force has begun to equip its stations with the Dräger Alcotest 6810 breathalyzer.

Innovations underline our competitive edge

Research and development expenditure amounted to 5.2 percent of revenues or EUR 7 million (Q1/2005: 4.7 percent of revenues or EUR 5.8 million). Funds were mainly invested in new product developments, such as the Dräger X-am 2000, a new generation of portable gas detection systems for up to four different gases developed specially for personal protection. The low-weight device the size of a cellular telephone is an ideal companion in day-to-day work. Reliable detection technology, long-lived sensors and easy handling ensure the greatest possible protection at low operating cost.

Sensors from the XXS range for ten different hazardous gases are now available for use in the Dräger Pac 7000 single gas detector. These new, miniaturized sensors react very quickly, indicating the presence of dangerous gases immediately on the device's display.

Drägerwerk AG, other companies, consolidation

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

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

Drägerwerk AG, other companies, consolidation		Q1/2006	Q1/2005
Total order intake	**€ million**	**(8.0)**	**(7.7)**
Germany	€ million	(8.0)	(7.7)
Rest of Europe	€ million	0.0	0.0
Americas	€ million	0.0	0.0
Asia/Pacific	€ million	0.0	0.0
Other	€ million	0.0	0.0
Total revenues	**€ million**	**(7.8)**	**(8.0)**
Germany	€ million	**(7.8)**	**(8.0)**
Rest of Europe	€ million	0.0	0.0
Americas	€ million	0.0	0.0
Asia/Pacific	€ million	0.0	0.0
Other	€ million	0.0	0.0
EBITDA [1]	**€ million**	**(1.3)**	**(3.1)**
Depreciation/amortization	€ million	2.0	1.9
EBIT [2] **before non-recurring expenses**	**€ million**	**(3.3)**	**(5.0)**
Non-recurring expenses	€ million	0.0	0.0
EBIT [2]	**€ million**	**(3.3)**	**(5.0)**
Net profit	**€ million**	**(7.3)**	**(9.4)**
Cash flow from operating activities	**€ million**	**(4.1)**	**(22.7)**
Net financial debt	**€ million**	**313.8**	**336.3**
Investments	**€ million**	**(1.2)**	**0.6**
Capital employed [3]	**€ million**	**53.1**	**73.1**
Net working capital [4]	**€ million**	**(27.6)**	**(13.2)**
EBIT before non-recurring expenses/revenues	**%**		
EBIT before non-recurring expenses/capital employed	**%**		
Gearing [5]	**Factor**		
Headcount as of March 31			
Germany		205	225
Abroad		5	6
Total headcount		**210**	**231**

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

Outlook

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

Interim financial statements of the Dräger Group as of March 31, 2006 (short version)

Consolidated income statement of the Dräger Group for the period from January 1 to March 31, 2006

	Q1/2006	Q1/2005 [2]
	€ million	€ million
Revenues	**385.3**	**341.4**
Cost of sales	(194.1)	(171.0)
Gross profit	**191.2**	**170.4**
Research and development costs	(28.4)	(24.6)
Marketing and selling expenses	(112.7)	(99.9)
General administrative expenses	(30.1)	(27.7)
Other operating income	1.4	1.7
Other operating expenses	(1.0)	(1.3)
	20.4	**18.6**
Profit/loss from investments in associates	0.0	0.0
Other financial result	0.1	(0.6)
Financial result (before interest result)	**0.1**	**(0.6)**
EBIT	**20.5**	**18.0**
Interest result	**(8.1)**	**(6.7)**
Earnings before income taxes	**12.4**	**11.3**
Income taxes	(5.0)	(6.4)
Net profit	**7.4**	**4.9**
Minority interests in net profit	2.8	2.7
Net profit after minority interests	4.6	2.2
Earnings per share [1]		
per preferred share (in €)	0.37	0.19
per common share (in €)	0.35	0.17

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

Consolidated balance sheet of the Dräger Group as of March 31, 2006

		March 31, 2006	March 31, 2005
	€ million	€ million	€ million
Assets			
Intangible assets	177.6		178.9
Property, plant and equipment	197.1		198.4
Financial assets	4.6		4.7
Other non-current financial assets	19.4		18.1
Deferred tax assets	77.8		78.3
Non-current assets		**476.5**	**478.4**
Inventories	308.4		288.9
Trade receivables	471.2		521.4
Other current financial assets	76.4		64.8
Cash and cash equivalents and securities	183.3		182.7
Current assets		**1,039.3**	**1,057.8**
Total assets		**1,515.8**	**1,536.2**

		March 31, 2006	March 31, 2005
	€ million	€ million	€ million
Equity and liabilities			
Equity		**505.5**	**502.8**
Participation capital	74.8		74.8
Provisions for pensions and similar obligations	193.3		192.2
Other non-current provisions	19.2		19.4
Non-current interest-bearing loans	198.2		233.5
Other non-current financial liabilities	5.3		5.6
Deferred tax liabilities	9.0		9.1
Non-current liabilities		**499.8**	**534.6**
Current loans and liabilities to banks	166.1		130.2
Current provisions	140.4		131.6
All other current financial liabilities	204.0		237.0
Current liabilities		**510.5**	**498.8**
Total equity and liabilities		**1,515.8**	**1,536.2**

Consolidated statement of recognized income and expenses of the Dräger Group

	Q1/2006	Q1/2005
	€ million	€ million
Currency translation adjustment for foreign subsidiaries	(3.4)	5.5
Changes in value recognized directly in equity	**(3.4)**	**5.5**
Earnings after taxes	7.4	4.9
Earnings after taxes and changes in value recognized directly in equity	**4.0**	**10.4**
thereof shareholders of Drägerwerk AG	2.0	6.1
thereof minority interests	2.0	4.3

Consolidated cash flow statement of the Dräger Group

	Q1/2006	Q1/2005 [2]
	€ million	€ million
Operating activities		
Group net profit	7.4	4.9
+ Depreciation/amortization of non-current assets	12.4	10.9
+/– Other non-cash expenses/income	2.5	(5.6)
– Gain from the disposal of non-current assets	0.0	(0.1)
– Other changes in other assets and equity and liabilities	(20.8)	(15.0)
Net cash used in/provided by operating activities	**1.5**	**(4.9)**
Investing activities		
– Cash outflow for investments in intangible assets and property, plant and equipment	(11.3)	(9.5)
+ Other cash inflow from investments	0.7	1.2
+ Cash inflow from the sale of subsidiaries	10.5	10.5
Net cash provided by/used in investing activities	**(0.1)**	**2.2**
Financing activities		
+ Net balance of bank loans raised/redeemed and other liabilities to banks	1.5	10.6
– Profit distributed to minority interests	(1.3)	0.0
Net cash provided by financing activities	**0.2**	**10.6**
Change in cash and cash equivalents in the period under review	**1.6**	**7.9**
–/+ Effect of exchange rates on cash and cash equivalents	(1.0)	1.5
+ Cash and cash equivalents at the beginning of the fiscal year [1,3]	182.7	178.0
Cash and cash equivalents as of March 31 of the fiscal year [1,4]	**183.3**	**187.4**

1 Cash and cash equivalents include available-for-sale securities.
2 As in the cash flow statement in the annual report for 2005, other non-cash income and expenses are shown separately. The items mainly contain currency translation differences from the elimination of intragroup balances. The prior-year figures were adjusted accordingly.
3 Cash and cash equivalents include EUR 10.2 million in cash (2005: EUR 1.7 million) which is subject to restrictions as of January 1.
4 Cash and cash equivalents include EUR 9.2 million in cash (2005: EUR 1.7 million) which is subject to restrictions as of March 31.

Consolidated statement of changes in equity

	Paid-in capital		Earned equity			Minority interests	Equity
	Capital stock	Additional paid-in capital	Reserves retained from earnings	Group net earnings	Other compre-hensive income		
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
January 1, 2005 [1]	**32.5**	**38.9**	**173.9**	**5.3**	**(24.6)**	**243.1**	**469.1**
Currency translation differences					3.9	1.6	5.5
Group net profit				5.0			5.0
Minority interests in net profit				(2.7)		2.7	0.0
Distributions							0.0
Change in consolidated group/other			0.2			(0.2)	0.0
March 31, 2005 [1]	**32.5**	**38.9**	**174.1**	**7.6**	**(20.7)**	**247.2**	**479.6**
January 1, 2006	**32.5**	**38.9**	**202.2**	**6.0**	**(21.9)**	**245.1**	**502.8**
Currency translation differences					(2.6)	(0.8)	(3.4)
Group net profit				7.4			7.4
Minority interests in net profit				(2.8)		2.8	0.0
Distributions						(1.3)	(1.3)
Change in consolidated group/other							0.0
March 31, 2006	**32.5**	**38.9**	**202.2**	**10.6**	**(24.5)**	**245.8**	**505.5**

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

Notes of the Dräger Group for the first quarter of 2006

1 Basis of preparation of the interim financial statements

As in 2004, Drägerwerk AG, Lübeck, prepared its consolidated financial statements for fiscal year 2005 in accordance with International Financial Reporting Standards (IFRSs) promulgated by the International Accounting Standards Boards (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). Accordingly, in fiscal year 2006, the interim financial statements of the Dräger Group will also be prepared in accordance with IFRSs and the interim reports in compliance with IAS 34 as well as German Accounting Standard No. 6 (GAS 6 – Interim Financial Reporting) of the German Accounting Standards Committee (GASC). The interim financial statements have not been audited or reviewed by an auditor. The interim financial statements were prepared in euros. Unless stated otherwise, all figures are disclosed in millions of euros (EUR million).

2 Accounting policies

The same accounting policies as in the consolidated financial statements for 2005 were applied in preparing the interim financial statements and calculating the comparative figures. A detailed description of these methods is published in the notes to the consolidated financial statements in the annual report for 2005. The report may be downloaded on the internet at www.draeger.com.

In preparing the interim financial statements, we made use of the option to present a short version of the financial statements with selected explanatory notes. Overall, greater use was made of estimates in determining carrying amounts than at fiscal year-end.

We recognized items of accrual and deferral where claims or obligations partially arose in the period under review.

3 Consolidated group and consolidation principles

In the quarter, there were no changes to the consolidated group compared to December 31, 2005 and the changes compared to March 31, 2005 were insignificant. The same consolidation principles as in the consolidated financial statements for 2005 were applied.

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

In the financial statements for 2005, the Dräger Group opted for the first time to recognize actuarial gains or losses directly in equity, taking account of deferred taxes, and then show them in a separate statement of recognized income and expenses instead of continuing to use the ten percent corridor. First-time application was retrospective pursuant to IAS 8 and equity was adjusted in the opening balance sheet for fiscal year 2004. This change did not affect the income statement for the first quarter of 2005.

The Dräger Group also opted to disclose other operating income and expenses separately in the income statement of the financial statements in the annual report for 2005. We adjusted the income statement for the quarter ended March 31, 2005 accordingly.

5 Segment report

Business performance of the segments

		Dräger Medical	
		Q1/2006	Q1/2005
Order intake	**€ million**	**303.8**	**263.8**
Revenues	**€ million**	**258.2**	**226.2**
thereof intersegment revenues	€ million	0.4	1.1
EBITDA [1]	**€ million**	**18.8**	**17.2**
Depreciation and amortization	€ million	5.9	5.3
EBIT [2] **before non-recurring expenses**	**€ million**	**12.9**	**11.9**
Non-recurring expenses	€ million	–	–
EBIT [2, 3]	**€ million**	**12.9**	**11.9**
Net profit (Safety: before profit/loss transfer)	**€ million**	**7.5**	**6.9**
thereof profit/loss from investments in associates	€ million	–	–
Net profit after minority interests	€ million	–	–
Earnings per share			
per common share	**€**	**–**	**–**
per preferred share	**€**	**–**	**–**
Capital employed [4]	**€ million**	**635.2**	**564.9**
Assets [5]	**€ million**	**845.1**	**777.9**
thereof investments in associates	€ million	–	–
Liabilities [6]	**€ million**	**202.3**	**197.7**
Net financial debt [7]	**€ million**	**(97.3)**	**(138.1)**
Investments	**€ million**	**7.6**	**4.2**
Non-cash expenses [8]	€ million	24.6	14.0
EBIT [2] **before non-recurring expenses/revenues**	**%**	**5.0**	**5.3**
EBIT [2] **before non-recurring expenses/capital employed**	**%**	**2.0**	**2.1**
Headcount as of March 31		**5,906**	**5,819**
Germany		2,445	2,420
Abroad		3,461	3,399

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

[1] EBITDA = Earnings before net interest result, income taxes, depreciation, amortization and non-recurring expenses
[2] EBIT = Earnings before net interest result and income taxes
[3] For the first quarter of 2006, EBIT for all segments is also the segment result (no profits or losses from associates). Based on EBIT and taking into account the elimination of the sales proceeds for Dräger InTek GmbH of EUR 2.1 million, the segment result for the Dräger Safety subgroup was EUR 9.0 million for the prior-year quarter. After consolidating these sales proceeds (which have no effect on the Group's results), the segment result for Drägerwerk AG/other companies/consolidation is –EUR 2.9 million. At group level, EBIT corresponds to the segment result.

Dräger Safety		Drägerwerk AG Other companies Consolidation		Dräger Group	
Q1/2006	Q1/2005	Q1/2006	Q1/2005	Q1/2006	Q1/2005
156.4	136.4	(8.0)	(7.7)	452.2	392.5
134.9	123.2	(7.8)	(8.0)	385.3	341.4
7.9	7.5	(8.3)	(8.6)	–	–
15.2	14.7	(1.3)	(3.1)	32.7	28.8
4.3	3.6	2.0	1.9	12.2	10.8
10.9	11.1	(3.3)	(5.0)	20.5	18.0
–	–	–	–	–	–
10.9	11.1	(3.3)	(5.0)	20.5	18.0
7.2	7.4	(7.3)	(9.4)	7.4	4.9
–	–	–	–	–	–
–	–	–	–	4.6	2.2
–	–	–	–	0.35	0.17
–	–	–	–	0.37	0.19
201.1	169.8	53.1	73.1	889.4	807.8
293.8	271.7	86.3	97.4	1,225.2	1,147.0
0.3	0.4	–	–	0.3	0.4
84.8	93.9	31.2	28.7	318.3	320.3
39.2	22.8	313.8	336.3	255.7	221.0
4.8	4.4	(1.2)	0.6	11.2	9.2
16.4	14.4	7.9	6.5	48.9	34.9
8.1	9.0	–	–	5.3	5.3
5.4	6.5	–	–	2.3	2.2
3,645	3,621	210	231	9,761	9,671
1,713	1,715	205	225	4,363	4,360
1,932	1,906	5	6	5,398	5,311

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

[5] Assets excluding other financial assets, tax assets and interest-bearing assets. The addition of all other financial assets (EUR 4.3 million), deferred tax assets (EUR 77.8 million), tax refund claims (EUR 25.2 million), current securities and cash and cash equivalents (total of EUR 183.3 million) produces total assets or the balance sheet total for the Group as of March 31, 2006.

[6] Liabilities excluding pension provisions, tax liabilities and interest-bearing liabilities. The addition of participation capital (EUR 74.8 million), pension provisions (EUR 193.3 million), non-current loans (EUR 198.2 million), deferred tax liabilities (EUR 9.0 million), current loans and liabilities to banks (EUR 166.1 million), current tax provisions (EUR 16.7 million), tax liabilities (EUR 30.3 million) as well as non-current and current finance lease liabilities (EUR 3.6 million) produces total liabilities for the Group as of March 31, 2006.

[7] Net financial debt including receivables and payables from cash management systems

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

6 Revenues

Revenues

	Q1/2006	Q1/2005
Dräger Medical	258.2	226.2
Dräger Safety	134.9	123.2
Revenues subgroups	**393.1**	**349.4**
Internal revenues subgroups	(8.3)	(8.6)
Revenues service companies	4.2	3.2
Internal revenues service companies	(3.7)	(2.6)
Revenues	**385.3**	**341.4**

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

7 Financial result

Financial result

	Q1/2006	Q1/2005
Financial result (before interest result)	**0.1**	**(0.6)**
Interest and similar income	1.3	1.5
Interest and similar expenses	(9.4)	(8.2)
Interest result (incl. distribution for participation capital)	**(8.1)**	**(6.7)**

8 Income taxes

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

9 Non-current assets (selected items)

Non-current assets (selected items)

	Carrying amount January 1, 2006	Additions	Disposals/ other changes	Amortization/ depreciation write-downs	Carrying amount March 31, 2006
Intangible assets	178.9	2.2	(0.3)	(3.2)	177.6
Property, plant and equipment	198.4	9.0	(1.3)	(9.0)	197.1
Financial assets	4.7	0.2	(0.3)	0	4.6

10 Other non-current financial assets

Other non-current financial assets	March 31, 2006	December 31, 2005
Equipment leased out	10.0	8.5
Finance lease receivables (lessor)	1.8	1.9
Trade receivables	1.8	2.0
Other	5.8	5.7
Total	**19.4**	**18.1**

11 Inventories

Inventories	March 31, 2006	December 31, 2005
Finished products and merchandise	152.2	135.0
Work in process	63.4	53.1
Raw materials, consumables and supplies	91.6	96.2
Prepayments made	1.2	4.6
Total	**308.4**	**288.9**

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

12 Other current financial assets

Other current financial assets	March 31, 2006	December 31, 2005
Tax refund claims	25.2	22.4
Prepaid expenses	22.2	9.3
Purchase price receivables from the sale of subsidiaries	3.5	14.0
Other	25.5	19.1
Total	**76.4**	**64.8**

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

Purchase price receivables decreased due to a contractual payment of EUR 10.5 million.

13 Other non-current and current provisions

Other non-current provisions as of March 31, 2006 mainly comprise provisions for personnel and welfare of EUR 16.4 million (December 31, 2005: EUR 16.4 million) and provisions for uncertain liabilities of EUR 2.8 million (December 31, 2005: EUR 3.0 million).

Current provisions as of March 31, 2006 also include the monthly cut-offs and largely consist of tax provisions of EUR 16.7 million (December 31, 2005: EUR 15.6 million), provisions for personnel and welfare of EUR 43.7 million (December 31, 2005: EUR 47.0 million), warranty provisions of EUR 22.1 million (December 31, 2005: EUR 21.6 million) and provisions for other obligations in the normal course of business of EUR 57.9 million (December 31, 2005: EUR 47.4 million).

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

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

15 All other current financial liabilities

All other current financial liabilities

	March 31, 2006	December 31, 2005
Trade payables to third parties	82.7	102.4
Other current financial liabilities		
Liabilities for taxes	30.3	40.5
Other liabilities to employees and for social security	30.1	34.9
Prepayments received	20.9	18.2
Deferred income	17.4	15.1
Other liabilities	22.6	25.9
	121.3	**134.6**
Total	**204.0**	**237.0**

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

16 Contingent liabilities and other financial obligations

There were no significant changes in contingent liabilities and other financial obligations as of March 31, 2006 compared to those disclosed in the annual report for 2005.

17 Related party transactions

Business was transacted in 2006 with the following related enterprises that are part of the widespread share portfolio of the Dräger family, including Executive Board member Stefan Dräger and Supervisory Board member Theo Dräger. Dräger GmbH, Dräger Objekt Finkenstrasse GmbH & Co. KG and Dräger Objekt Lachswehrallee GmbH & Co. KG have leased various real properties to Drägerwerk AG which are located close to the latter's Moislinger Allee head office. Rental payments came to EUR 405 thousand.

Dräger Objekt Möhringen GmbH & Co. KG was sold in fiscal year 2005 and is therefore no longer owned by the family. Services were rendered for companies and foundations related to the Dräger family for EUR 36 thousand.

In addition, Herbert Rehn GmbH generated revenues of EUR 0.4 million from glass products and installation contracts. This resulted in receivables of EUR 104 thousand from Dräger Group companies. All transactions were conducted at arm's length terms and conditions.

Forward-looking statements

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

Financial calendar 2006	
Q1/2006 report Conference call	May 11, 2006
Annual shareholders' meeting, Lübeck	June 2, 2006
H1/2006 report Conference call	August 10, 2006
Q3/2006 report Conference call	November 14, 2006
Annual shareholders' meeting, Lübeck	May 11, 2007

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