

## Press release

No. 45 / August 6, 2009

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## Second quarter of 2009:

### Dräger increases order intake and net sales

- **Currency effects and change in product mix impact earnings**
- **R&D expenditure rises to 8.4 percent of net sales**
- **Free cash flow improved**
- **Net debt lowered**
- **Turnaround program being implemented**

Lübeck, Germany – Drägerwerk AG & Co. KGaA recorded a rise in order intake in the second quarter of 2009, which almost made up for the weak level of orders in the first quarter. At EUR 484.2 million, the Company exceeded the prior-year figure by 4,9 percent in the second quarter, net of currency effects. Net sales of EUR 468.7 million in the second quarter were also an improvement on the prior-year period (up 2.2 percent net of currency effects), as were net sales for the entire first half at EUR 893.9 million (up 3.0 percent net of currency effects).

### Change in product mix impacts gross margin

Earnings, on the other hand, continued to come under pressure due to currency effects and stiffer competition as well as a shift in the product mix. In the safety division, government orders largely offset a decline in industrial orders in terms of net sales. However, the lower level of profitability of these orders – mostly respiratory protection equipment for fire departments – impacted earnings. The measurement of construction contracts for deep-sea diving systems also pushed down earnings. In the medical division, the stronger dollar compared to the prior year and the disproportionate growth in infrastructure projects and service business led to a lower gross margin. Consequently, the Dräger Group's gross margin in the first half of 2009 decreased from 47.0 percent in the prior year to 43.8 percent.

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### **R&D expenditure rises to 8.4 percent of net sales**

The planned high level of research and development costs, which rose to 8.4 percent of net sales (June 30, 2008: 7.4 percent) also had a negative impact on earnings. In addition, expenses of EUR 3.5 million were incurred in the second quarter for measures to improve earnings as part of the turnaround program.

These effects reduced EBIT before non-recurring expenses by a substantial 74.4 percent to EUR 15.1 million; net profit decreased by 92.3 percent to EUR 1.6 million.

Nevertheless, the Company succeeded in improving the net cash flow provided by operating activities by EUR 7.5 million to EUR 39.8 million in the first six months of 2009, thereby reducing net financial debt by 6.3 percent in comparison to June 30, 2008.

### **Turnaround program being implemented**

“Our turnaround program for optimizing revenues, increasing efficiency, reducing costs and investing in future projects, which was initiated in June, will guide the Company back to its former strength”, said Stefan Dräger, Executive Board Chairman of Drägerwerk Verwaltungs AG. The 400 individual measures will have a positive effect on earnings of EUR 100 million per year as of 2011. In the second half of 2009, we will continue to drive forward the implementation of these measures so that a substantial portion will already take effect in the second half”, said Dräger.

### **Outlook confirmed**

In 2009, the turnaround program will cushion the negative effect on earnings resulting from the change in the product mix on the one hand and the effects of the forecast lower net sales on the other. “In spite of the difficult economic situation, we will maintain our high level of expenditure on research and development in order to invest in our product portfolio, which promises strong growth and earnings for the future”, said Dräger. This is essential for the Company’s positive long-term development. For 2009, the Executive Board anticipates that consolidated EBIT before non-recurring expenses will be considerably lower than in the prior year and that net sales will be around 5.0 percent lower.

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### Key figures for the first half of 2009 (in EUR million)

	Q2 2009	Q2 2008	H1 2009	H1 2008	Change in percent
Order intake	484.2	460.7	923.8	954.5	-2.3%
<i>Medical division</i>	<i>310.2</i>	<i>303.0</i>	<i>605.4</i>	<i>623.0</i>	<i>-2.8%</i>
<i>Safety division</i>	<i>179.8</i>	<i>163.9</i>	<i>339.9</i>	<i>343.2</i>	<i>-1.0%</i>
Net sales	468.7	457.8	893.9	863.5	+3.5%
<i>Medical division</i>	<i>309.8</i>	<i>287.1</i>	<i>578.1</i>	<i>551.2</i>	<i>+4.9%</i>
<i>Safety division</i>	<i>165.7</i>	<i>176.8</i>	<i>328.7</i>	<i>324.4</i>	<i>+1.3%</i>
EBIT <sup>1</sup> before non-recurring expenses	8.6	41.4	15.1	58.9	-74.4%
<i>Medical division</i>	<i>8.4</i>	<i>23.9</i>	<i>11.1</i>	<i>36.0</i>	<i>-69.2%</i>
<i>Safety division</i>	<i>7.5</i>	<i>20.0</i>	<i>18.0</i>	<i>29.5</i>	<i>-39.0%</i>
EBIT margin	1.8%	9.0%	1.7%	6.8%	
Net profit	1.5	18.2	1.6	20.7	-92.3%
Earnings per preferred share (EUR)	0.04	1.16	0.01	1.21	

<sup>1</sup> EBIT = Earnings before net interest result and income taxes

#### Disclaimer

This press release contains forward-looking statements regarding the future development of the Dräger Group. These forward-looking statements are based on the current expectations, presumptions, and forecasts of the Executive Board as well as the information available to it to date and have been prepared to the best of its knowledge and belief. No guarantee or liability for the occurrence of the future developments and results specified can be assumed in respect of such forward-looking statements. Rather, the future developments and results are dependent on a number of factors. They entail risks and uncertainties beyond our control and are based on assumptions which could prove to be incorrect. Notwithstanding any legal requirements to adjust forecasts, we assume no obligation to update the forward-looking statements contained in this report. You will find all key financial dates on our website at [www.draeger.com](http://www.draeger.com) under Investor Relations/Financial Calendar.

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